ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 180 Number 5340 | New York 7, N. Y., Thursday, July 8, 1954 | Price 40 Cents a Copy

EDITORIAL

As We See It

In all current discussions of international trade and finance "convertibility" has come to be a word to conjure with. Of course, the word does not mean what it used to mean in the old days when the gold standard was all but universal. What is more to the point, it does not mean (as ordinarily used) what one might quite reasonably expect it to mean. At least such seems to be true when the word is used in many of the proposals and discussions abroad about early return to convertibility. But the Pickwickian sense in which the term is so often employed today in serious discussions does not appear to trouble the enthusiasts very much. According to a great many, seemingly, convertibility plus "trade not aid" would bring almost immeasurable blessings to all the world.

What these idealists think they are saying, apparently, is that if all the countries of the world would reduce their tariff duties to some reasonable level, abolish all trade restrictions, and foreign exchange controls, "multilateral trade" would flourish like the green bay tree with attendant benefit to us all. If various other appropriate actions were taken to support such a program as this—and the several countries of the world could gain their own consent to stick to their guns when the going got rough — there would, of course, be reason to share a good deal of the enthusiasm of the advocates of general convertibility.

False Ideas

The trouble with many of these glowing statements is simply that they are based upon false ideas as to what is being planned under the now

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Is There a Leveling Off Or an Upward Swing?

By MELCHIOR PALYI

Dr. Palyi, asserting the business boom, in reality, rolls on at a reduced pace, maintains a cyclical setback often is a boom in disguise. Finds most encouraging single element of strength in current picture is surprisingly large volume of construction, but holds farm price supports are a prime force prolonging a business setback. Warns we may get back to budgetary inflation, and, through inflationary bank credit, the financial and psychological groundwork is being made for a new upturn, "wherever that may lead."

Things are not getting worse and are not getting much better—that is the gist of the situation. Patently, the bottom is not falling out from under business; but it is not turning up in a hurry either. There are very encouraging signs, and some in the opposite direction. On the whole, since March, there has not been much change in the outlook other than modest but promising improvements.

Dr. Melchior Palyi

An uninformed reader of the recession laments, which are fed currently to the public, may think that the first half of 1954 was a period of economic stagnation. In reality the boom rolls on, but at a slightly reduced pace. In fact, we are in the biggest peacetime boom of all history except for the year 1953 and, in spite of the laments, well ahead even of 1952.

Take, for example, the over-all gauge of national wealth-creation, the Gross National Product (whatever that statistical concoction is worth). It reached an all-time high of $346.3 billion in 1952. In the first quarter of this year—at the bottom of the setback—it was running at the nearly 3% higher annual rate of $357.8 billion. This should rate as a neat progress for little more than a year, especially so in view of the fact that in the meantime

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Stock Market at Mid-Year—Coming Pause that Refreshes

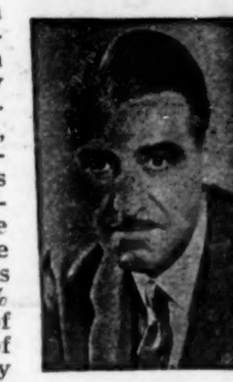
By EDMUND W. TABELL

General Partner, Walston & Co., Members N. Y. S. E.

Market analyst, on criteria of earnings, dividends, comparative bond yields, and technical factors, maintains market is not vulnerable, despite recent advance. Mr. Tabell traces past divergent course of several groups of designated issues and predicts intensification of selectivity. Concludes while some period of pause and consolidation is required, the D-J Industrial Average even under normal speculative conditions will advance to the 450-500 level by 1960.

My article entitled "1954 — The Beginning of a New Bull Market," published in the Jan. 7, 1954 issue of the "Commercial & Financial Chronicle," ended with the following paragraph:

"In the main, 1954 should be a good year for the investor who continues to hold, and buy, the common stock equities that will ultimately benefit from the continued long-term growth of the country. This, as always, will require careful selection not only as to quality but as to price level. From a technical approach, there seems to be little likelihood of a major decline in the stock market in 1954. The chances rather favor a rise of about 25% from current levels by the end of the year. This will be the start of an advance that will gradually broaden out to include a larger segment of the market."



Edmund W. Tabell

At the time the article was written, the Dow-Jones Industrial Average was around 280. At last week's high of 338, the average had almost reached the 25% advance mark of 350 and had surpassed the minimum objective of 325 mentioned earlier in the Jan. 7 article. Also, this advance has been accomplished by mid-year rather than the end of 1954. Has this sharp 83-point

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

F. H. McGraw & Company—Allen J. McNeal, Partner, Price, McNeal & Co., N. Y. C. (Page 2)

Texas Eastern Production Corporation — Carl Stolle, President, G. A. Saxton & Co., Inc., New York City. (Page 2)

ALLEN J. McNEAL

Partner, Price, McNeal & Co., New York City, N. Y.

F. H. McGraw & Company

When the news hit Paducah, Ky. (Population 32,430) that the Atomic Energy Commission was going to build a $500 million plant to make Uranium-235 on a 5,000-acre site, 16 miles west of the city, it meant that Paducah would soon be swarming with well-heeled construction workers, perhaps numbering as many as 10,000.

A. J. McNeal

But to Clifford Strike, dynamic head of F. H. McGraw & Company Engineers and Constructors, it meant a contract for $350 million, the biggest single government contract ever awarded to a private construction firm at that time.

In the 21 years prior to receiving this contract in December, 1950, McGraw had put up nearly $500 million worth of chemical plants, steel mills, naval bases, ammunition plants, etc. all over the world.

The Paducah contract was not awarded on a lump-sum competitive basis. McGraw was the choice of the AEC, out of a list of 18 companies which they had picked to choose from, because of their excellent record over a 21 year period.

F. H. McGraw & Company hit the big leagues of construction shortly after its inception in 1929 with $18,500,000 in contracts. Its first contract was for the engineering and construction of the $9,500,000 Harborside Terminal for the Terminal Warehouse Company and a $2,000,000 connecting pier for the Pennsylvania RR. at Jersey City, N. J. Its second contract was for a $7,000,000 steel mill for Gulf States Steel Corporation (now Republic Steel) at Gadsden, Ala.

F. H. McGraw & Company grew and progressed in the difficult years between 1930 and 1940. Big jobs, small jobs, tough jobs of all kinds followed the first two and developed the company's record for versatility and enterprise for imaginative conception and efficient execution of jobs of extraordinary variety including steel mills, paper mills, pipe foundries, coal preparation plants, office building, radio stations, airports, sugar mills, chemical plants, hospitals, etc.

The experience of F. H. McGraw & Company has been built with the construction of major projects for many of the nation's leading industrial firms, such as: Aluminum Co. of America, American Smelting & Refining Co., Armco Steel Corp., Detroit Edison Co., E. I. du Pont, Duquesne Light Co., Ford Motor Co., General Aniline & Film Corp., General Electric Co., Kimberly Clark Corp., Schenley Distillers Corp., Standard Oil Co. of Indiana, Union Carbide & Carbon Corp., U. S. Steel Corp., Westinghouse Electric Corp., Youngstown Sheet & Tube Co., Reynolds Alloys Company and others.

The home office of McGraw is in Hartford, Conn., with other offices in New York City, Pittsburgh and Chicago.

Recently the Power Corp. of Canada, Ltd., and F. H. McGraw & Company announced the incorporation of F. H. McGraw & Company of Canada (1954), Ltd. to conduct a general construction business with offices in Montreal, Canada.

Power Corp. holds a controlling interest in the new company and Clifford Strike is President. This connection with Power Corporation of Canada should be very profitable for F. H. McGraw & Company because of Power Corp.'s controlling interest in a large number of prominent utility, oil, paper and chemical companies situated in Canada.

Wholly owned subsidiaries of F. H. McGraw & Company include CIA F. H. McGraw, S. A., F. H. McGraw & Company of Canada, Ltd., McGraw Associates, Inc.

Contracts which F. H. McGraw & Company have received from the leaders of American industry offer recurrent evidence that this organization is moving steadily onward with them toward building a greater and more productive America.

The Capitalization of F. H. McGraw & Company as of Dec. 31, 1953 was as follows:

	Shares
Long-Term Debt	None
Preferred Stock $1.50 (No Par)	17,870
Class "A" Stock (Non-Cumulative) (Par $3.75)	82,958
Common Stock (Par $2)	223,000

There are outstanding at the present time warrants to buy 25,000 shares of authorized (but unissued stocks) at $6, all held by Mr. Strike. The Class "A" stock has preference over common of 20c per share Dividend and the Preferred stock is callable at $25 per share and dividends are cumulative. Annual deposits with a sinking fund agent are made on or before April 1 each year of computed amounts of cash based on annual income of the preceding year to retire preferred stock. Originally the company had outstanding 36,000 shares of Preferred stock, since reduced by purchase of 18,130 shares leaving only 17,870 shares presently outstanding.

At the present time there are 1,100 holders of preferred and common stock.

Full dividends are being paid at present on the Preferred stock which is currently selling at around 19½ to yield about 7.70%.

No dividends are being paid at present on the Class "A" stock or the Common but as earnings tend to improve it is hoped that dividends will be resumed on the Class "A" and Common.

On May 20, 1946, by amendment to its certificate of incorporation the Capital stock of F. H. McGraw & Company was reclassified so that the 1,250 shares of Common purchased from F. H. McGraw and J. Metz McGraw were retired and the 1,250 shares of Common stock then remaining outstanding were reclassified into 100,392 shares of Class "A" stocks of a par value of $3.75 per share, 75,000 shares of Common stock of the par value of 10c per share and Rights to buy an additional 75,000 shares of Common stock at $14 per share, exercisable until Dec. 31, 1953, and simultaneously there with 36,000 shares of Preferred stock, without par value, and an additional 250,000 shares of Common were authorized.

In May, 1946, the company sold through certain underwriters 36,000 shares of $1.50 dividend preferred and 139,000 shares of Common stock (Par 10c). Two shares of Common stock were offered with each share of Preferred sold and 28,000 shares of common were sold to members of the underwriting firms and members of their families at the public offering price of 75c per share—39,000 shares of Common were offered at 10c per share to 31 key officers and employees.

Through the sale of this stock F. H. McGraw & Company received approximately $891,000, out of which they paid the sum of $377,828 to F. H. McGraw for his 1,230 shares of the company's common stock as formerly constituted and $6,143 to J. Metz McGraw for 20 shares. Thus the company actually retained cash in the amount of approximately $500,000 for working capital.

Capitalization after giving effect to this recapitalization in 1946 was as follows:

	Shares
$1.50 Div. Pfd. Stock (No Par)	36,000
Class "A" Stock (Par $3.75)	100,392
Common Stock (Par 10c)	214,000

As of Dec. 31, 1953 the company had total Current Assets of $1,027,529 including cash of $325,115 and total Current Liabilities of $409,253 and net working capital of $618,276 — current ratio about 2½ to 1.

Book value of Common was $2.81 per share after allowing $25 per share on Preferred and $3.75 on Class "A" stocks. Gross operating income for the year 1953 amounted to $846,680 and net income available for dividends was $185,950 equal to 58c on the outstanding Common stock. Company's backlog of work on Jan. 1, 1954 was $136,272,196 mostly on a Fee basis. Net income for the three months ended March 31, 1954 amounted to $72,553.79.

For the seven years (1947-1953) inclusive total gross income plus other income amounted to $6,798,769.16.

Total net income for the same period was $986,133.59 and average net income for the seven year period was $140,888.

In 1948 F. H. McGraw & Company had a net income of $655,262 equal to $2.75 per share on the common stock.

The price range on the common stock during the past nine years has been 3 Low to 12½ High.

At the present time McGraw Common stock is available in the over-the-counter market at around 5.

I firmly believe that this company is in a position to forge ahead in a big way and that purchase of the common stock around the present level will prove to be a profitable investment to the patient holder.

CARL STOLLE

President, G. A. Saxton & Co., Inc., New York City

Texas Eastern Production Corporation

A "sleeper" may be a sleeper for a number of reasons. Either investors have not recognized inherent values in a stock, or investment prejudices have militated against its popularity, or it may be true that just not enough investors have had a good look at the stock. Sometimes, too, patience is wanting and patience, although it often brings its own reward, is the necessary

Carl Stolle

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All America Is Still a Growth Area

By MURRAY SHIELDS*
Vice-President and Economist
Bank of the Manhattan Company

Prominent New York bank economist, noting loss of momentum in recent business decline, contends there is no likelihood of a recession degenerating into a spiral of inflation. Lauds Administration's economic program and forecasts a future business expansion. Points to "vigorous surge of growth in Canada and Latin America." Holds we are in midst of a technological revolution which will promote an upward break in rate of progress, but warns of more intense competition in business. Lists guide posts for business planning.

The decline in business which began in the middle of 1953 appears to have lost its momentum and a considerable volume of statistical evidence now suggests that production, incomes and employment are leveling out along a plateau only moderately below the high levels attained last year.

Murray Shields

It is of the greatest importance that the recession has shown no signs of degenerating into a spiral of deflation, that the Administration has so promptly applied some mild counterdeflationary stimuli but has wisely refused to be panicked into big deficiteering, and that the management of business enterprise properly regards the current recession as but a period of reorganization for still another great period of economic growth.

Conditions are propitious for another surge upward in the U. S. economy for the revolution now under way in productive technology promises to provide a deep, powerful and sound basis for continued growth. We are in a fabulous period when scientific innovation and invention in industry, agriculture, metallurgy, medicine and education are mobilized into an amazingly productive process. The rates of progress in all these fields are rapidly accelerating and the momentum is such as to present us with an historic opportunity to lift our production of goods and services per capita or per family to levels undreamed of only a few years ago.

It would, however, be a mistake to assume that growth is an automatic process for history records many instances where nations blessed with great resources have failed to use such resources to expand production and to lift the standard of consumption of the people. Therefore, it is of the greatest importance to recognize that the economic program presented to Congress by President Eisenhower early this year is in essence a formula for continued growth. In fact, the Presidential Messages comprise one of the most powerful, comprehensive, economically effective and politically acceptable programs ever devised to prevent a readjustment such as the one through which we have been passing from spiraling into deep depression, and to convert such a readjustment into the base for a long period of rapid growth and great prosperity.

What President's Program Proposes

The breadth of the President's new program is obvious from the fact that it contemplates the following:

For business and industry: A steady diet of tax reduction to provide vigorous support for investment and confidence, with stimulation for every branch of the highly important construction and capital equipment industries,

For agriculture: High—though flexible — price supports, additional tax relief for soil conservation, and stockpiling of temporary surpluses,

For consumers: Tax reduction, social security and labor measures to increase disposable incomes,

For foreign aid: Continued large-scale military—and, therefore, economic — assistance, and tax stimulation as well as additional government guarantee of some of the risks of private foreign investment,

For money and banking: Policies aggressively expansionary in periods of retrenchment and readjustment, and at all times sufficiently stimulative to support the long-range growth of the economy, and

For government expenditures: Restraint, except during periods when depression is threatened, and the use of government guarantees to support a high and rising level of expenditure for public works.

In general this program provides for pump priming, drastically easy money and deficiteering only when necessary to prevent a deep depression. On the other hand, it assumes that confidence stimulation, tax reduction, government guarantee of private credits, easing of regulatory restraints on enterprise and a steady but moderate expansion of credit will be used to perpetuate prosperity and stimlate growth in the economy.

After a long boom in business and a pronounced inflation in prices, the economic measures

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*An address by Mr. Shields before the Conference of the American Management Association, New York City, June 21, 1954.

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Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, July 8, 1954
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.
Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $48.00 per year; in Dominion of Canada, $51.00 per year. Other Countries, $55.00 per year.
Other Publication
Bank and Quotation Record — Monthly, $33.00 per year. (Foreign postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Giving Credit to Canadian Consumers

By IRA U. COBLEIGH

Enterprise Economist

A provincial, current comment on consumer credit in Canada; together with some notes (non interest-bearing) on three interesting and progressive companies in Dominion loaning.

Consumer Credit is such a common commodity here in the U. S., whether to grubstake you to a car, a TV set, a refrigerator or a trip to Europe, that we perhaps never pause to think that elsewhere creation of personal loans has been either less popular, or less possible. Take Canada — a wonderfully sound economy with an honorable heritage for thrift and the eschewing of debt stemming, in particular, from two resident racial strains, the Scotch and the French Canadians. Scotch financial prudence is, of course, proverbial, and has found considerable reflection in the Canadian branch banking system. This system is characterized by magnificent solvency but with loaning policies more resembling those of our banks up to say around the year 1925. Traditional loaning to well heeled individuals and corporations is conducted with brisk efficiency and astute credit analysis, but such large scale personal lending such as was pioneered by Bank of America, and maximized by the Franklin National Bank (on Long Island) has not caught on to any extent among the corporate Canadian custodians of deposit funds.

Ira U. Cobleigh

Secondly, the whole idea of personal debt is rather frowned upon by the typical French Canadian who is still a little chary about depositing money in banks. He is inclined to retain his native preference for a bag of gold stashed away in the floorboards, or cash in a mattress, to a pass book—a preference trickling down to him from many generations of inflation weary French peasants.

These aforementioned traits, institutional and personal, have thus played their parts in braking the growth of instalment loans in the Dominion. But with the vast post war expansion in Maple Leaf production, development of resources, and expenditure for new plant and equipment, hospitality to credit has become more fashionable and if it was useful for the Dominion to borrow billions, outside the country, for business and financial growth, personal borrowing for useful durable goods began to seem equally logical. Accordingly, and especially since the war, finance companies have made impressive strides above the St. Lawrence. The field is indeed attractive, and especially because the big banks have not provided competition, a number of instalment loan enterprises have burgeoned and prospered.

Huge Potential

We shall examine briefly but three of them; but, before we do, let's take a quick look at the general conditions in Canada giving rise to consumer loans for the purchase of durable goods. The biggest field is, of course, motor credit. But in Canada only one person in six owns a car (one in 3.7 in the U. S.). This suggests a wide area for expansion in demand. Second only 40% of Canada's new cars are bought on time payments (65% in the U. S.). Finally, the Canadian puts up a bigger chunk of dough as down payment, and pays off the balance in a shorter time than his Yankee counterpart. Expanding vistas for appliance financing are equally evident. So, considering the general prospects and prosperity of Canada, finance companies have real reasons to be optimistic about their futures. And they haven't done badly to date as we shall perceive.

Let's look at the biggest one first, **Industrial Acceptance Corporation, Ltd.**, incorporated in 1925. It has 70 offices across Canada through which it provides consumer credit principally for the purchase of cars, refrigerators, radios, household appliances. The average loan is a little over $500. Outstanding net receivables at the 1953 year-end were $287.8 million. Net profit for 1953 showed an impressive gain of 39% over 1952, moving ahead to $6,969,476 against $4,597,281 the year earlier. This net converted pleasantly into $6.30 a share on the common, and permitted moving the dividend rate up from a $2 to a $2.50 annual basis.

It's pretty tough to try to compress the capitalization of finance companies into a paragraph, as these provide, without doubt, the most diverse corporate structures you can find. For example, Industrial Acceptance Ltd. has outstanding $53 million of secured debentures due 1954-68, five separate issues of debentures totaling $33 million, four preferred issues (two of them convertible) and 1,046,965 shares of common. (This can increase to 1,346,992 shares by full conversion of outstanding senior issues.) While a bit complex this roster of issues indicates heavy leverage operating for the common; and both by virtue of dividend increases, and market enhancements (common has advanced 300% in past five years) Industrial Acceptance common presents no valid reason for being bearishly regarded. It sells currently around 44. It's the leader in the Dominion acceptance trade, and is steadily gaining wider acceptance among investors.

Second among instalment loan leaders is **Traders Finance Corporation, Limited**, with outstanding receivables of $183 million at Dec. 31, 1953. Traders also had a splendid year in 1953 increasing its net profit from $3,824,844 to $4,466,620, a gain of 17%. This net equals $3.82 a share on the common.

Here again we note a wide assortment of debentures and preference shares, the latest being 125,000 shares of 5% ($40 par) cumulative convertible preferred publicly offered at $40.50 per share May 4. Conversion is uniquely progressive — share for share into class A common through May 1, 1957, then share for share plus a dollar through May 1, 1959; and plus two bucks from then till May 1, 1961. Fact is, if you like convertible securities, Traders has consistently offered a wide assortment of them, in debentures and preferreds.

Combined class A and B commons total 1,128,321 shares and the dividend was recently raised to a $2.40 yearly rate. Traders appears to be a well managed enterprise and its common has provided market satisfaction to an expanding list of shareholders. Currently selling at 39 it should be investigated by those in search of growth, predicated on past performance.

A third and smaller unit in Canadian consumer credits is **Laurentide Acceptance Corporation Ltd.** which confines its present operations to four cities in the Province of Quebec. Since the Quebec population is 80% of French origin, the company has adapted itself to the special requirements of its area, with French speaking executives and personnel; and its annual report is printed in both French and English.

Launched in 1939, the Laurentide's real growth did not commence till 1946. The annual reports (fiscal year ends Oct. 31) show receivables outstanding in 1946 of only $1.2 million; but by 1953 this figure had grown to $15.5 million. Similarly net profits have advanced from $77,114 in 1950 to $213,185 for 1953. The rate of growth in Laurentide has indeed been impressive.

Capitalization consists of $2,835,000 in four issues of funded debt, $990,000 par value of preferred (two series) and 188,600 shares of class A and B common, combined. Indicated earnings for the first nine months of 1954 are 53c on the common, up 20c from last year. The current dividend rate is 60c and the "A" shares, listed in Toronto and Montreal, sell today at 13.

Because of the substantial business expansion in Quebec in the past decade, the vast development of its hydro-electric power and extensive extractions of its iron ore, copper, and rarer metals, Laurentide Acceptance seems well situated in a particularly favorable area. Quebec has 30% of Canada's population, and affords a golden motor car market since only one person there in ten now owns an automobile. Look over the latest Laurentide report and you may find cogent reasons for the current interest in its equity.

Since cars and appliances became again available in quantity in 1946, a new era has been ushered in for Canada nacceptance corporations, and the climate for instalment selling is improving with each passing day. Accordingly, some analysts are predicting for Canadian loan companies such as those we've outlined, a growth comparable to that already recorded by such citadels of credit as Commercial Credit Co. and Household Finance Corp.

Dominion Securities Corpn. Elects

TORONTO, Ont., Canada—Dominion Securities Corpn. Limited, 50 King Street, West, announces that K. M. Pringle has retired as Chairman and director, and Mr. R. E. Haldenby as Vice-President and director.

George P. Rutherford has been appointed Chairman, and D. H. Ward a Vice-President. Members of the Board of Directors, all of whom have been associated with the organization for many years, are G. P. Rutherford, Chairman; G. E. Phipps, President; H. N. Bawden, Vice-Chairman; N. D. Young, J. G. K. Strathy, S. E. Nixon, D. H. Ward and R. G. Roberts, Vice-Presidents; J. R. Clarke, J. D. Bulgin, A. I. Matheson, E. F. Howard, C. E. Jolly, and D. F. Hackett, directors.

L. B. Field Co. Formed

BRADENTON, Fla.—L. B. Field is engaging in a securities business from offices at 904 Fourth Avenue, under the firm name of L. B. Field & Co.

M. J. Daning

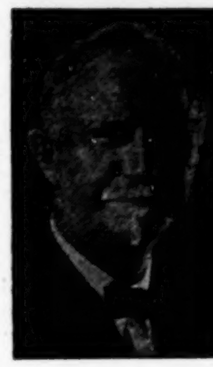
M. J. Daning, member of the New York Stock Exchange, passed away on June 29.

Chain Store Stocks And Pension Funds

By ROGER W. BABSON

Commenting on the rising cost of living and its effect on fixed pensions, Mr. Babson mentions a possible solution would be to have pension funds invested in merchandising stocks, particularly in super markets. Gives data on ten big variety chain stocks and says, in addition to being a hedge against inflation, they provide geographical protection in case of wars.

During a visit to New Boston, N. H., I have had an opportunity to talk with various retired workers now living on pensions. One thing that interests them most is the future cost of living. They are grateful to their employers for their pension, but they wonder just how much it may always be able to buy. You cannot blame them for worrying, considering that a $1,000 pension received in 1900 will today buy only about $300 worth of food, clothing and shelter.



Roger W. Babson

Money versus Goods

Too many of my readers are thinking only of dollars, rather than of what these dollars will buy in the years ahead. Of course, the ideal thing would be for employers to promise their retired people a certain number of bushels of potatoes, pounds of meat, pairs of shoes, etc., in the form of a pension. Corporations, however, cannot do this unless they can be reimbursed by the government. As our politicians are the ones who mainly determine the cost of living, would it be unfair to ask their government to "give these pensioners 'insurance' against such unnecessary inflation?"

Another possible answer would be to have pension funds invested in merchandising stocks. I have in mind super markets such as A&P, Kroger, American Stores, First National, Stop & Shop, etc., and the Variety Chains. These stocks could partly serve as a hedge against rising food prices and the cost of necessities. The latter could always be purchased from Chain Stores, such as Sears Roebuck, Montgomery Ward, Penney—especially from the modern Variety Stores which now carry nearly everything necessary to living, other than food. The buyers for these Variety Chains hunt all over the world for the best merchandise at the lowest prices and sell it at the least profit, while the value of their inventories increases along with the cost of living. Thus, if pension funds were invested more in such stocks, the pensioners should be much better off it the cost of living should increase—especially in view of the "self-service" feature which was promoted by Herbert A. Hills, Jr., of Wellesley, Mass.

Ten Big Variety Chains

Working people should also put a fair proportion of their own savings in these stocks, possibly an equal proportion of money into each of the ten. Knowing, however, that two of these, the McLellan Chain and the McCrory Chain, are largely owned by the United Stores Corporation, I can "catch two birds with one stone" by buying the stocks of United Stores Corporation which are listed on the New York and American Stock Exchanges. The second preferred sells around $9.75 a share and yields over 8%; and the common sells around $2.75 a share. When working people come to me and want stocks to lay away for their children and grandchildren, not for speculation, I recommend these United Stores stocks at the rate of one share of common for protection with each two shares of second preferred for dividends.

	1953 Sales	Current Market Price	1953 Dividend	Yield
F. W. Woolworth	$713,870,378	42	$2.50	6.0%
S. S. Kresge	337,299,151	33	2.00	6.1%
W. T. Grant	299,767,741	37	1.50	4.1%
G. C. Murphy	187,163,824	40	2.00	5.0%
S. H. Kress	172,979,646	49	3.00	6.1%
J. J. Newberry	171,163,900	34	2.00	5.9%
H. L. Green	108,683,918	29	2.25	7.8%
McCrory Stores	104,787,105	13	1.10	8.5%
Neisner Brothers	66,742,814	14	1.00	7.1%
McLellan Stores	60,672,811	24	2.00	8.3%

Wartime Protection

There are several reasons why I like the ten Variety Chains shown in the accompanying table. In addition to their being a hedge against inflation and against a rising cost of living, they provide a geographical protection in case of World War III which big city stores cannot offer. All ten chains have their assets scattered throughout the United States. The United Stores (McCrory and McLellan) have stores in over 440 cities scattered in 37 states, while Woolworth has 1,973 stores in the United States and Canada alone. Woolworth, however, has a large investment in England and Germany which World War III would probably wipe out. Although we may not now fear such a war, no student of history can believe that wars are over forever. Only a great spiritual awakening of which I see no signs at present, can prevent the onslaught of such a war before long.

Pa. Funds Corp.

PHILADELPHIA, Pa. — Pennsylvania Funds Corp. has been formed with offices at 226 South Sixteenth Street. Douglas K. Porteous is a principal of the firm.

With Coburn, Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Mary A. Redman has joined the staff of Coburn & Middlebrook, Incorporated, 75 State Street.

Investors Planning Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John C. Bradley has been added to the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Edward de Rivera

Edward de Rivera, partner in W. C. Langley & Co., passed away at the age of 56 after an illness of several months.

Investment Opportunities In Puerto Rico

By A. WILFRED MAY

Calling attention to the broad advantages from capital investment in solving the social as well as economic problems, Mr. May outlines the existing incentives provided for the investor. Lists tax advantages, and various industries and firms which have moved in thereunder. Details the unfinished capital-attracting program still required.

SAN JUAN, PUERTO RICO— The possibilities of attracting and profitably employing outside capital here is of equal importance to the social and the financial world. For, as indicated in last week's article in this space, a major potential for solving the irksome migration problem lies in industrialization and other standard-of-living-raising achievements here on the Island. Fortunately, capital investment is being encouraged in a number of constructive ways.

A. Wilfred May

First, there are a number of important tax advantages inuring to the benefit of Mainland and foreign businessmen and investors.

Unlike their incidence on Hawaii and Alaska, U. S. Federal taxes do not apply in Puerto Rico. Tariffs, howeved, are the same as for the mainland, but are directed into the P. R. Treasury. This exemption from taxes, unlike investor advantages offered in other countries (see our articles from Turkey, Iran, Greece), is permanently frozen as a result of an enabling act jointly approved by referendum here and by the U. S. Congress.

Puerto Rican residents are, of course, subject to taxes of the "Commonwealth"; but they are considerably below their Federal counterparts—the corporate maximum being 35%, and individual income taxes similarly ranging lower.

Of the greatest importance in this field is the so-called Tax Incentive Law, first approved in 1947 and importantly extended as of Jan. 1, 1954. Complete exemption from all taxes, including corporate. real estate and excise taxes is granted to any manufacturing industry processing a product which was made here in 1947, plus a specified list of 42 manufacturing lines embodied in the law. The exemption also covers some miscellaneous activities, such as tourist hotels.

Profits' Out-Migration

The taking-home of profits by the extra-territorial capitalist undeniably presents some nettlesome problems. Dividends are tax-exempt to Puerto Rico, but not to U. S. residents. Nevertheless the latter, in quest of pulling out accrued earnings, can mitigate or altogether avoid the U. S. tax in various ways.

(1) He can let his earnings accumulate, and when they have grown into a substantial surplus, consummate a tax-free merger of his local corporation with the parent corporation(in the States). This technique would obviously apply only to corporate investors.

(2) By investing money on a loan basis, and taking earnings out as a repayment of debt. Barring U. S. Treasury determination of a too-thin equity, this can be pursued by both U. S. individuals and corporations.

A pending change in the tax law applicable to investment companies here, permitting the retention of capital gains without a tax penalty, entails two main advantages: It permits rapid building up of the company's profits and growth elements; and it gives to the outside holder the choice of the particular year in which it is most advantageous to cash his profits and pay the tax.

Other Cooperation

In addition to taxation there are other helps offered to Mainland capital. The Government-affiliated Goverement Development Bank extends long-term loans mostly for 10 years, secured on real estate and machinery. The interest varies around 5%. Currently this institution has $12 million thus loaned out.

Also standing by to help the investor is the Puerto Rico Industrial Development Co. (PRIDCO), building factories which they lease to new manufacturing industries, and used by investors from the States. Very helpful in providing mortar and brick, this institution has already constructed 100 buildings, with 40 more currently under construction.

Again, of no small help is the Economic Development Administration with offices here and in the United States to recruit and train labor.

New Arrivals

Historically—there has always over the past 50 years been some inflow of capital here, principally in sugar, banking and insurance. But an intense acceleration occurred in 1947, concurrent with the institution of tax favors and with the policy of generally encouraging industrialization. Approximately 312 new industries have thus started, with the speeding-up especially marked in the last four or five years, the number of tax-favored companies growing in geometric progression. 340 new business were approved in 1953-54, and approximately 93 in June alone. The investors have come from all over the nation, from New York to California.

The number of factories tax-exempted now totals 659; of which 380 have been established by private capital with exemption following the law as outlined above; and the remaining 279 having received aid from the Economic Development Administration and receiving tax-exemption thus. The total amount now invested by non-residents is estimated at $50 million (was $33 million as of Dec. 31, 1952).

One of the more interesting projects under construction on the Island is an oil refinery being built by the Caribbean Refining Company, owned by the Gulf Oil Co., J. H. Whitney & Co., and the Pontiac Refining Company of Corpus Christie, Texas.

Also representative of capital attraction is the Commonwealth Oil Refining Co., which is to be owned by several hundred stockholders in the States, financed by the First Boston Corporation.

Another live project here is a branch of Sylvania Electric Co., started three years ago and growing fast. It makes electronic tubes, processing mica from Brazil.

Thirty other new factories are engaged in electronics and plastics.

Remington Rand, making electric shavers, started three years ago, and is rapidly expanding.

Running down the gamut, Textron manufactures cotton gray goods and rayon. There are at least one dozen hosiery factories, an "imported" brassiere factory, and a show-place plant erected by the Consolidated Cigar Company (by the famed architect from the States, Joseph Douglas Weiss).

It appears to this observer that good opportunity exists for competing for South American markets in some lines. Thus we found here that the Gulf Steel and Wire Company, a Puerto Rican corporation owned by Ohio intereests, making chains, nails and wire products, can strongly compete in price and quality with German manufacturers for South American markets.

The Unfinished Program

What still has to be done—and to what can the investor look forward—in the encouragement of capital investment; to push this community along the road to a second Zurich?

One step that would be very helpful, now being vigorously pushed by some highly respected New York interests, would be the granting of permission to transfer the profits made by U. S. companies in foreign countries, to Puerto Rico under an only nominal tax. This would not directly help capital investment here; but P. R. would gain income through a franchise tax, and would be aided in developing into a key world financial center. Under the title "International Trading Act," such legislation is now proposed, with early passage doubtful.

Constructive help also would ensue from a new insurance code, which is in prospect pending fuller consideration by the legislature.

With Lloyd Arnold Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Ronald T. Keeton has become connected with Lloyd Arnold & Company, 404 North Camden Drive.

Joins E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John M. Bush has become connected with E. F. Hutton & Company, 623 South Spring Street.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial output for the country as a whole in the period ended on Wednesday of last week declined from 10 to 12% below the level of a year ago.

Latest reports coming to hand indicate a drop in claims for unemployment benefits.

New claims filed for unemployment compensation in 12 key states during the week ended June 26 dipped slightly to a further new low for the year. They declined to 182,597, down 133 from the preceding week. The total for the latest week, however, was still well above the 121,969 new claims filed in the like 1953 period.

New claims for unemployment compensation filed with state agencies last week declined to the lowest level since the week ended last Oct. 31. The United States Department of Labor credited the drop to a reduced rate of layoffs in the textile, furniture, clothing and machinery industries.

In the week ended June 19, initial claims declined 3% from the week earlier, and reflected fewer layoffs in automotive, ordnance and machinery industries. Continued claims in the week ended June 12 decreased 2% and were at the lowest weekly level this year, excepting holiday periods.

Business inventories fell below year-earlier levels for the first time since Korea, United States Department of Commerce currently reports. As of May 31, stocks of manufacturers, wholesalers and retailers were valued at $79,600,000,000. This was a drop of $714,000,000 from the preceding month-end, and $488,000,000 under May, 1953. But despite the May reduction, a Department official said, "business firms still have more goods on the shelf, in relation to sales, than they had a year ago."

In the steel industry two major problems confront many of the nation's metalworking companies as a result of the increases in steel wages and prices, "The Iron Age," national metalworking weekly, states this week.

"They will have to decide what to do about their own wages. And they will have to decide whether to absorb the cost of the steel price increase or try to pass it on to their customers in a highly competitive market, this trade journal points out.

The wage problem, it adds, is the more serious because it will cost metalworking companies more. Many companies will face very strong pressure to follow the "pattern" of the steel wage agreement, which provides a 5c per hour wage increase and improvements in pensions and insurance bringing the total cost of the "package" to about 10c per hour.

Steel consumers will have to pay an average of about $3.25 a ton more for their steel. The price increases are on a selective basis due to varying amounts of labor required to produce them. Some products are increased more than $3 a ton and some less than $3 a ton, it declares.

Although not all producers have yet announced higher prices, it is estimated that The Iron Age Finished Steel Base Price Composite will rise $3.24 a ton to $95.92 per net ton. (This price composite is a weighted index of base prices on steel bars, shapes, plates, wire, rails, black pipe, hot and cold rolled sheets and strip.)

It is estimated, according to "The Iron Age," that the price increases will raise the steel bill of the nation's manufacturers by more than $225 million on an annual basis.

Steelmaking operations this week are scheduled at 59.7% of rated capacity 6.1 points lower than the previous week. The relatively low rate is due largely to the Fourth of July holiday. July is expected to be a slow month due to shutdowns for vacations by many steel consuming plants, and over-ordering by some consumers during June.

The market is expected to show improvement in August and by fall a fairly strong upturn is likely, this trade authority

Continued on page 37

New Factors in the Stock Market

By WILLIAM WITHERSPOON
Investment Counselor, St. Louis, Missouri

Investment analyst, noting radical change in the composition of the stock market during recent months, holds greater institutional investing in common stocks must be recognized. Because of institutional long-term buying, finds floating supply of stocks reduced—a factor in higher prices. Looks for no major increase in new common stock offerings, and concludes investments in common stocks can still be made with considerable confidence in likelihood of long-term appreciation.

The stock market has traced a long upward channel since early last fall. For over nine months it has advanced and by usual standards one might conclude that it is in a vulnerable position. However, the market is not its old self. There has been a radical change in its composition during recent years and therefore some of the old standards are no longer valid. A new approach is necessary and that approach must recognize the importance of institutional investing — pension funds, trust funds, endowment funds, mutual funds, etc. These very large funds are swinging more and more toward common stock investment, and when they invest it is usually for the long-term holding. Hence, stock is actually being removed from the floating supply to cause a shortage to develop resulting in higher prices.

William Witherspoon

What of Supply?

Look at the other side of the balance. What will cause the supply of common stocks to increase, thereby overcoming the upward pressure on price? This will stem, for the most part, from new capital financing. At the present time, and indeed during all of the post-war years, from 75% to 80% of corporate financing has been in the form of bonds and about 5% in preferred stock. This leaves from 15% to 20% to be accounted for by common stock. Such an amount, though it is only 15% to 20%, is a large dollar value of new common stock because total capital is greater than it was during the previous general period of capital expansion in the 1920's, and it is constantly growing larger. It was this large dollar volume of capital financing in the late 1940's that caused the market to falter and stumble. It stumbled in 1946 in spite of rising business sales and profits, and continued to falter until after the "rolling adjustment" of 1949. It then advanced over a two-year period because the expected post-war "recession" had been experienced and because inflation was again in the air as a result of the Korean fighting. It leveled once more in 1952-53 only to come up strongly in 1954 as institutional investing gained prominence.

No Major Increase in Common Stock Offerings

Will there be a major increase in common stock offerings during the balance of this year? The probability is "No." With credit being as easy as it is, and with the easy money policy being fostered by the Federal Reserve System such as in its recent move to reduce reserve requirements, debt financing of capital expansion will probably continue in its dominant role at least until the end of 1954.

We now have a situation where upturning business is joining the force of institutional investing to carry the market still higher. It is, of course, admitted that this over-simplifies the problem — there can and may be outcroppings of war in various parts of the world; there may also be certain industries that may not participate in the upturning business. However, these developments are more like incidental music to a great play—the major plot is to be found in the combination of this persistent demand for sound stock values and the improving pattern of general business.

Therefore, the outlook for the stock market during the third quarter of 1954 appears to be one of the generally rising stock prices. There will be the usual set-backs that occur from time to time; indeed, a vigorous set-back was experienced early in June only to be met with remarkable buying resistance. Hence, with this sort of a pattern it would seem possible that the market Averages will be higher during September than they are at the present time.

Some Background of Finance and Business

In our complex economy it is dangerous to cite one or two factors as being the cause of business swings. However, in retrospect we can now more clearly see two important factors that caused the 1953-54 set-back in business. The slowing down of inventory accumulation with some erosion of goods from the shelves was a large factor.

The other factor was the cutting back of government military spending. Both of these factors seem to have about finished their down-hill run and are now tending to flatten out or point slightly upward.

Personal Income has remained fairly high. After reaching a high point in October 1953 at the annual rate of $287.2 billion, it dipped to $282.8 billion in March. This was an insignificant 1.56% decline, and signs suggest that it might even now be turning upward. Disposable Personal Income did even better. (This is Personal Income after income tax deductions.) This figure is reported only quarterly instead of monthly, but it peak was registered in the third quarter of 1953 at an annual rate of $249.8 billion and it was actually duplicated in the first quarter of 1954.

The spending of this personal income went down during the past winter, but it declined ever so slightly. Personal Consumption Expenditures reached a peak of $231.0 billion annually during the third quarter of last year and these dipped to $229.8 billion by the first quarter of 1954, but this decline amounts to only 0.52 of 1%. Hence, we might conclude that the consumer hardly knew that a business readjustment was even in existence.

All of the segments of consumer spending have not fared equally well. There has been a decline of about 8% in consumer expenditures for Durable Goods, but there has also been a 4.8% increase in expenditures for services which include such items as rents, recreation and other intangible items. This strength in the services division is developing according to expectation inasmuch as this segment of consumer spending was far behind the growth in the tangible goods segments. Therefore, we might confidently expect to see spending for services continue to rise and when this advancing trend is joined this summer or coming fall by a reversal in the durable and non-durable sectors of Personal Consumption Expenditures we may well see a sharp spurt in the total dollar volume of goods and services known as Gross National Product.

One of the chief factors behind consumer spending is the rate of monetary turnover. Demand deposits (checking accounts) in 338 reporting centers, exclusive of the big financial centers, are being turned over at the rate of 18.7 times per year. This is considerably below the more "normal" 1920's. Exactly comparable figures are not carried back into that decade, but from available statistics it would appear that this turnover ratio in these cities during those years was in the neighborhood of 30 times per year. The reason for the decline, which became most pronounced in about 1945, was the sharply increasing money supply (through government action) advancing more rapidly than it could be assimilated by the consuming public. This situation is gradually returning to more "normal" conditions and as it does we have manifested one of the primary supports under our economy which will eventually drive the total dollar volume of business some 50% or more above current levels by the late 1950's or early 1960's.

This is the power behind the prompt turning of business indices this summer or by next fall, only nine months to a year after the first signs of a down-turn became evident. Under these economic circumstances we may conclude that investments in common stocks can still be made with considerable confidence in the probability of long-term appreciation while in the meantime the investor is receiving a good annual return on his investment.

Attractive Industry Groups for the Summer

There are many attractive common stocks at current prices. Among the industry groups that I would particularly favor during the third quarter of 1954 are:

Automobile: There appears to be a better feeling coming into this group.

Building Supply: Booming business should be further reflected in these stocks.

Electrical Equipment: Has been large advance in this group but there are good values.

Metals: Stockpiling and an improved tone for these metals will support stocks.

Railroads: A speculative group but some good possibilities exist in it.

Steel: Industry has made good profits at 70% capacity and thereby gained stature.

Television: A good pick-up in business is expected by fall.

Edw. H. Salrin With Lehman Brothers

TULSA, Okla.—Edward H. Salrin has become associated with the firm of Lehman Brothers and will make his headquarters in the First National Building, Tulsa, Okla.

Mr. Salrin, who has retired from active business management, is one of the most widely known oil men in the United States and was with Tidewater Associated Oil Company and its predecessor for over 40 years. Mr. Salrin retired in April 1954, as Vice-President and Director of Tidewater Associated Oil Company and Chairman of the Mid-Continent Operating Committee.

From Washington Ahead of the News

By CARLISLE BARGERON

When I was a leader of men in World War I, a corporal, one member of my command invariably referred to Britain and France as our "alleys." The Germans certainly have "our alleys" on the run, he would say pessimistically in the early days of the war. Later he became reasonably satisfied with the conduct of "our alleys." But "alleys" they always were in adversity and in victory.

Carlisle Bargeron

That was the first time we had "alleys" and enemies in a big way. That was our first excursion into global affairs and we have never been quite the same since. We learned about international intrigue and propaganda and deception, the art of creating unrealities and dealing with them as if they were realities.

In World War II we became masters of the game, or so we think. At least, we are quite brazen about it. I recall that quite an incident was created in the 20's when a magazine article told of the existence of a "black chamber" in the State Department which purportedly broke the codes used by foreign governments in communicating with their diplomats and in other surreptitious ways kept abreast of the schemes of other governments. The article was authored by a man who claimed he headed the "black chamber." He was trying to tell how efficient our government had come to be in world affairs. Secretary of State Stimson hit the ceiling, indignantly denied the story and fired the author of the article from whatever job it was he did have. The public reaction of the times was one of shock that our government would stoop to the practices indulged in by other governments.

Now, however, the use of propaganda by our government, even against its own citizens is blandly justified and we have a full-fledged, hush hush organization to deal in intrigue. The CIA, like the Atomic Energy Commission, is given a blank check and no questions asked. One of its jobs, of course, is to acquire information, through espionage or whatever means necessary, about the goings-on in unfriendly countries. Another job, one is told with the hand cuffed over the mouth, is to plot, stir up unrest and revolutions in enemy countries. One doesn't know how much he hears is true. It is such an ultra secret agency.

The rather wide presumption in blase Washington is that the CIA had something to do with the revolution in Guatemala. The members of Congress who blindly appropriate the money for the agency every year would like to think that it did anyway. They would like to think the agency is doing something for its money.

But whether it did have anything to do with the Guatemalan overturn or did not have, the action by the Department of Justice in filing suit in the wake of the revolution against United Fruit for alleged violation of the anti-trust laws, takes the cake in the esoteric thinking that invests our international policy making. In this instance, the ivory top boys, floating around in a world of make-believe, seem to have become lost on a new and unknown planet of rationalization.

In the first place, the State Department had been insisting that the Guatemalan Government adequately compensate United Fruit for the land it had expropriated. Before there is a settlement of that claim the Justice Department charges United Fruit is operating in violation of the law.

At the time of this writing, the official government explanation is that it was all just a series of coincidences—the pressure of the U. S. Government against the Guatemalan Government that United Fruit be justly compensated, the revolution and the suit by the Justice Department. But the first rash of publicity about Justice's action said that our government was keenly aware of the good impression it would make not only on our "alleys" but on our enemies. It would show the peoples all over the world that our government's concern was not the welfare of United Fruit but about Communist infiltration in the Western hemisphere.

The Communists have been saying, of course, that our interest in Guatemala was not a humanitarian one but simply the pursuit of our imperialism. Well, now with this masterstroke of propaganda, the Russian or Chinese peasant when he is told by a commissar what an unconscionable imperialist the U. S. is, will probably not say anything but he will smile inwardly in the knowledge of the truth. He will think to himself, ah, the commissar can't kid me, I know that the U. S. was purely unselfish because its Justice Department filed suit against the oppressors of the Guatemalan workers.

It will be a most devious way that the peasant will get this truth. The government spends millions of dollars a year through the "Voice of America" and other means to get this sort of stuff to him. But he won't have a radio in the first place and if he should have it it would be a serious crime for him to listen to an American broadcast.

However, the theory is that somewhere in all Asia there will be a courageous intellectual, willing to give his life for Democracy, who will have a radio and will steal a listen to one of the "Voice's" programs, tell of its content to another courageous intellectual, similarly wedded to freedom, and in the course of time, say 100 years, the mesage of this country's wholesome ways and good deeds will get down to the masses and there will come a great awakening.

In the meantime, though, United Fruit must sell more bananas and pay a lot of lawyers.

The Background of Treasury Debt Management

By ROBERT P. MAYO*
Chief, Analysis Staff, Debt Division
U. S. Treasury Department

Debt management expert of Treasury Department explains problems relating to Treasury borrowing. Points out debt management involves more than just the technique of raising whatever funds are necessary to finance cash needs, since it also involves handling of tremendous volume of maturing obligations. Reveals current distribution of national debt, and calls for larger holdings by individuals.

The financial program of the United States Government is designed with the purpose of working toward a stronger economic base which is so essential to the future development of the country. The Treasury has an important part to play in helping to make that program successful through its concern with budget and tax policy, through effective debt management, and through recognition of the important part that independent Federal Reserve monetary and credit policy can play in helping to neutralize inflation or deflation.


Robert P. Mayo

The focal point of Federal Government finance is, of course, the budget, and one of the most important financial goals of the Administration is effective budget control. The figures that President Eisenhower presented in his Budget message in January tell the story of a budget that is being reduced. The budget program of the outgoing Administration in January 1953 visualized expenditures of $77.9 billion for the fiscal year 1954, which would have been an all-time peak since the end of World War II. The new Administration cut those planned expenditures by $7 billion. Projected expenditures of $70.9 billion for the current fiscal year would still run $3.3 billion ahead of budget receipts even though this year's tax take is expected to be the largest in history, according to the January, 1954, estimates. This $3.3 billion deficit, however, represents a substantial decline from the $9.4 billion deficit reached in the fiscal year 1953, and an even greater decline from the estimate of the current year's deficit made a year and a half ago.

The President's January budget estimates for the fiscal year 1955 contemplated further expenditure cuts. These cuts, estimated to exceed $5 billion, would result in some further reduction of the Federal deficit even though the government would be taking in somewhat less in taxes. As you know, tax reduction this year, assuming enactment of the President's program, will total more than $7 billion, reflecting not only the tax revision bill now in the Senate, but also the excise cuts made effective last April 1, the expiration of the corporation excess profits tax on last Jan. 1 and the 10% reduction in individual income tax rates on last Jan. 1. In dollar terms this is the largest tax reduction in any year of our history. Secretary Humphrey has emphasized that it is only because expenditures have been reduced that we are able to afford this tax reduction.

About 70% of the government's budget is for national security, so it is logical that a considerable share of the expenditure reduction estimated for 1955 would be expected in this area. In presenting the budget, however, the President indicated that he was following the principle of providing better defense for less cost so that national security would actually be strengthened.

Treasury Borrowing

A government deficit means an increase in the public debt, bringing with it Treasury borrowing in the market. The timing of the Treasury's new borrowing needs is highly seasonal. The pattern of Federal expenditures between the two halves of the year is fairly regular. But that is not true as far as receipts are concerned, because of the way in which tax collections flow into the Treasury. Corporate tax money used to flow into the Treasury in even quarterly instalments. With the speed-up of corporate tax collections under the Revenue Act of 1950, however, an increasing proportion of this tax money is paid during January-June, with less and less in the July-December period. Currently this means that Treasury borrowing in July-December each year (when tax collections are low) has to be more than enough to cover the whole fiscal year's deficit, repaying some of it as tax money comes in during the months of March and June. In addition to financing the deficit, of course, the Treasury has other financing to do to cover regular redemptions and maturities of savings bonds and notes and to cover portions of maturing issues that are turned in for cash when owners of these securities decide they would prefer not to accept the Treasury's refunding offers. Some of this overall financing job is done through the continuing sales of savings bonds. But most of it is done through new money borrowing in the market. In July-December, 1953, for example, the Treasury had to borrow close to $9 billion in the market—$6 billion of it in the form of tax anticipation borrowing. In the current half of the present fiscal year, however, the situation is reversed, with a budget surplus available to pay off some of last summer's borrowing.

Technique of Treasury Borrowing

Treasury debt management involves more than just the technique of raising whatever funds are necessary to finance the government's deficit and other cash needs, of course. It also involves the handling of a tremendous volume of obligations that are maturing each year. About $150 billion of the more than $270 billion of the total public debt outstanding is in marketable securities. At the present time about 45% of this marketable debt matures within one year. On March 31, 1954, the figure was $68 billion. One of the objectives of Treasury policy is to gradually shift some of this short-term debt into longer maturities so as to strengthen the maturity structure of the debt. Then the Treasury wouldn't have to engage in quite so many financing operations each year, and that would leave the Federal Reserve freer to exercise whatever monetary and credit policy may be appropriate at the time.

The mere passage of time, of course, serves to bring more and more of the public debt into the very short-term area unless steps are taken to extend part of the debt. As recently as June, 1951, for example, the average length of the Federal marketable debt to its first call date was 4.8 years. By December, 1952, the marketable debt had shortened to 3.8 years on the average, a decline of a full year in a period of 18 months. This shortening process was virtually halted during 1953, as the Treasury took steps toward achieving a redistribution of the debt. Recently there has been a significant increase in the average length of the marketable debt. The present average length of about 4.2 years is back to the figure of two years ago, but it is still well below the average during the earlier postwar years.

Along with the gradual achievement of a better distribution of the public debt in terms of its maturity structure, the Treasury also has an important long-range goal in terms of attracting more individuals' savings into government securities. This can be accomplished either through direct purchase of securities by individuals or through reinvestment of individuals' savings in government securities by insurance companies, mutual savings banks, pension funds, etc. Such increased investment works in the direction of a broader distribution of the debt throughout the economy.

Of the $270½ billion debt outstanding at the end of March, $48 billion was held by government investment accounts, including social security funds, veterans' insurance funds, etc. The remaining $222½ billion was held outside of the government, with the largest single part—$66 billion — representing holdings by individuals. That is almost a quarter of the entire debt. Insurance companies, mutual savings banks, and savings and loan associations held $27 billion, and corporations and other investors outside of the banking system held $44 billion. About $24½ billion of the debt was held by the Federal Reserve banks, and $61 billion by commercial banks.

Commercial banks throughout the country now have a little over 40% of their earning assets invested in government securities. This is quite a reduction from the more than 70% investment in governments which characterized bank portfolios at the end of the war. During the intervening years, of course, bank loans and other private investments expanded by almost $50 billion, while governments declined by $30 billion. Interestingly enough, commercial bank holdings of governments before World War II also accounted for about 40% of total bank earning assets.

Better Average Maturity of National Debt

There has been a significant change, however, in the type of government securities that the banking system holds now as compared with 15 years ago. The increasing use of governments as a relatively liquid investment has had a significant effect in shortening the average length of government portfolios of commercial banks, not only in the aggregate, but also in all parts of the country. The average portfolio of governments ran more than nine years to maturity before World War II (callable bonds to first call date). It went down to four years by the end of the war and some further shortening has taken place in recent years. The present length of commercial bank holdings of government securities is a little over three and one-half years to fixed maturity or first call, even after taking into account the lengthening of bank portfolios that has taken place this spring. In its progress toward a better maturity distribution of the debt, of course, the Treasury is well aware of the needs of the banking system, corporations, and other investors, for an adequate supply of securities in the short-term area.

In pursuance of its objective of a broader distribution of the public debt among real savers, the Treasury believes that much can be accomplished by further expansion of the savings bond program. Sales of Series E and H savings bonds have been improving steadily since the low years right after Korea, and the current year represents the best sales record since 1946. At the same time, current redemptions, even including the redemptions of those E bonds which were sold 10 years ago and are now being cashed at maturity rather than extended, have shown very little increase over other recent years, so that E and H bonds outstanding are now at an all-time high of well over $37 billion. It is rather striking to note that close to $10 billion of these bonds now outstanding represent E bonds which are over 10 years old — bonds held by real long-term savers.

The Treasury relies very heavily on volunteer effort for the support of the savings bond program, and a great deal of the success of the program can be attributed directly to the continuing untiring efforts of banking people throughout the country in support of the program.

*Excerpts from an address by Mr. Mayo before the Annual Convention of the Massachusetts Bankers Association, Swampscott, Mass., June 11, 1954.

R. S. Dickson Appoints Brophy & Uhler

R. S. Dickson & Company, Incorporated, 30 Broad Street, New York City, announce that Frank J. Brophy has been elected Senior Vice-President, and Edward A. Uhler, Vice-President, has been appointed Resident Manager.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bond Market—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Dollar Averaging—Discussion with two lists of selected issues —in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is an analysis of underlying values in **Rails, Independent Telephone Companies**, and companies benefiting from population growth. Available is an analysis of **St. Joseph Lead Co.**

Earnings Performance of Japanese Companies—In current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Industry and the Atom—Report (for dealers only)—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available is a memorandum on **Olin Oil & Gas Corp.**

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese Industry — Analysis of outlook — in Monthly Stock Digest—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan, and 61 Broadway, New York 6, N. Y.

Local Service Air Transportation and Metropolitan Helicopter Services—Study from the investment banking view-point—Investment Bankers Association of America, 33 South Clark Street, Chicago 3, Ill.

New York City Bank Stocks—June 30th quarterly analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Oils—Discussion of outlook—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Public Utility Common Stocks—Comparative tabulation—G. A. Saxton & Co. Inc., 70 Pine Street, New York 5 ,N. Y.

Selected Industrial Bonds—Comparative data—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Sugar Companies—31st Edition of Manual—Farr & Co., 120 Wall Street, New York 5, N. Y.—$2.00.

Toll Road Program for the State of Illinois—Report prepared for the State of Illinois Toll Highway Commission—Available through Glore, Forgan & Co., 135 South La Salle Street, Chicago 3, Ill.

20 Stocks for 1954—Recapitulation of results of stocks selected Jan. 4th—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

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Aldens Inc.—Memorandum—McDonnell & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **Mission Corp., New York Central** and **Chas. Pfizer Co.**

American Colortype Company—Data—Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y. Also available are data on **Ford Motor Company of Canada, Ltd., International Telephone & Telegraph Co.** and **German Government 3/72.**

American Equitable Assurance Company—Analysis—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available are analyses of **Globe & Republic Insurance Company of America, Merchants and Manufacturers Insurance Company, New York Fire Insurance Company** and special reports on **Firemen's Insurance Company of Newark** and **The Home Insurance Company.**

American Marietta Company—Bulletin—Walston & Co., 35 Wall Street, New York 5, N. Y. Also available are reports on **Black, Sivalls & Bryson, Sherritt Gordon Mines, Ltd., Whiting Corporation,** and **Bullock's Inc.**

Anaconda Copper—Survey—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y. Also in the same bulletin are surveys of **General Railway Signal, American Bosch,** and **International Telephone & Telegraph Corporation.** Also available are data on **Mission Corporation** and **Mission Development.**

Bell & Howell Company—Report—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is an analysis of **Beatrice Foods Co.**

Central Public Utility Corporation—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

California Electric Power — Bulletin — H. Hentz & Co., 60 Beaver Street, New York 5, N. Y.

Carborundum Co.—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Loew's Inc.** and the **Haloid Co.**

Dow Chemical Company—Analysis—J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif.

Federal Paper Board Company, Inc.—Report—Gilbert Parker Investing, Inc., 120 Broadway, New York 5, N. Y.

Federated Department Stores—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Federated Department Stores, Inc.—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also available are brief analyses of **Kennecott Copper Corp., Louisiana Land & Exploration Co., National Lead Co., North American Aviation, Inc., Southern Railway Co.** and **The Southern Co.**

General Contract Corporation—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Hilton Hotels Corporation—Analysis—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

I. G. Farben Successor Companies—Information—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Hycon—Literature—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y. Also available is literature on **H & B American Machine.**

Latrobe Steel Company—Report—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

North American Cement Co.—Analysis—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

Northrop Aircraft, Inc.—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Piasecki Helicopter Corporation—Bulletin—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.—$2.00 per copy.

Pronto Uranium Mines Limited—Bulletin—E. H. Pooler & Co., Limited, 302 Bay Street, Toronto 1, Ont., Canada.

Snap-on-Tools Corporation — Report — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Suburban Propane Gas Corporation—Analysis—Nauman, McFawn & Co., Ford Building, Detroit 26, Mich.

United States Steel—Analysis in current "Monthly Investment Letter"—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Western Union—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Worthington Corporation—Analysis—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

To Expose Hypocrisies of Communist Movement

New course at Stetson University, made possible by gift from Charles E. Merrill, will simultaneously include an examination of American ideals and institutions.

DeLAND, Fla., July 6 — In a double-barreled effort aimed at exposing "the hypocrisies of the Communist movement while teaching the development of American ideals and institutions," a new liberal arts major course to be called "American Studies" will be opened at Stetson University, here, beginning with the Fall term. The announcement was made by J. Ollie Edmunds, President, at a special convocation of summer school students at the University today.

Charles E. Merrill

"We intend American Studies to become a part of the training of all those in our student body, especially those who are preparing to teach in the public schools," President Edmunds said. The new course will lead to a bachelor's and master's degree in American Studies.

Creation of the new department was made possible through an initial $45,000 gift by Charles E. Merrill, directing partner of the nationwide brokerage and underwriting firm, Merrill Lynch, Pierce, Fenner & Beane. Mr. Merrill has initiated a professorship to be called the "Charles E. Merrill Chair of American Studies," President Edmunds said.

"Until the Communist threat is defeated, we want this course to afford a systematic comparision and contrast between the ways of life proposed by the United States and the Communists. We shall expect our students to learn what the Communists are promising the world and to detect the fallacies inherent in their system," Dr. Edmunds said.

"Although Mr. Merrill's generous gift has gotten us of to a good start, we are confident that other business people will help us continue our new program," President Edmunds stated. "Mr. Merrill is one of an increasing number of industrialists who realize that those most aware of the benefits of our economic system have a solemn obligation to explain this system to our students generations."

Planned primarily for prospective and in-service public school teachers, the American Studies curriculum will be built around American History and American Literature.

"But the history," Dr. Edmunds declared, "will include a good deal more than just the political and chronological development of our Republic as a free nation. To expose Communism for what it really is, we will include in our course an examination of American institutions, education, economics, and religious and family life in America."

According to Dr. Edmunds, "major emphasis" wil be given to the study of the American economic system, "distinguishing ours from the other so-called capitalistic system in certain European nations."

"We will carefully document the development of our American ideas of freedom, of the pursuit of happiness, of justice," President Edmunds said.

"We expect our students to evaluate the health of American institutions in the light of historical conviction and to study proposed solutions to current problems. Now more than ever, Dr. Edmunds said, we feel that we must make our conviction clear, that the Republic of the United States can be no stronger than the intelligence and integrity of its electorate, and no more secure from attack of false idealogies than the devotion that holds a single individual to the path of freedom."

COMING EVENTS

In Investment Field

Aug. 13, 1954 (Denver, Colo.)
Bond Club of Denver-Investment Bankers Association summer frolic at the Park Hill Country Club, preceded by a Calcutta Dinner Aug. 12 at the Albany Hotel.

Sept. 10, 1954 (Chicago, Ill.)
Municipal Bond Club of Chicago annual outing at Knollwood Country Club, Lake Forest, Ill.

Sept. 17, 1954 (Philadelphia, Pa.)
Bond Club of Philadelphia 29th annual field day at the Huntington Valley Country Club, Abington, Pa.

Sept. 22-26, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis Minn.)
Board of Governors of Association of Stock Exchange Firms meeting.

Sept. 27-30, 1954 (New York City)
National Association of Securities Administrators meeting at the Hotel Roosevelt.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Transactions in Clearing Currencies

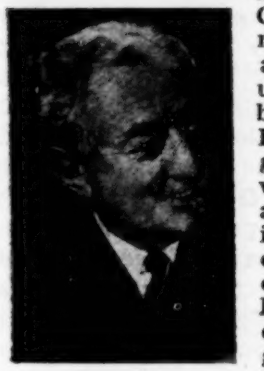
By LACY KUX*

Manager, Foreign Department, American Nile Corporation

International monetary expert explains how transactions in clearing currencies, which dominate 25% or more of the world's foreign trade, have become recognized means of overcoming dollar and sterling shortages, and contributed broadly to postwar reconstruction. Decrying suspicions of black market aspects as completely unfounded, Mr. Kux calls the clearing currencies an "economic safety valve."

Legal Development

As is well known, every Clearing currency is non-convertible. Would it have the facility of conversion, no Clearing trade would have to exist. Clearing currencies are accounting units, created by Central Banks and/or governments who are unable to equalize the deficit of their foreign trade by hard currencies or by gold. In order to keep the flow of goods to and from their country, these governments have concluded bilateral trade treaties in which exports and imports of goods are compensated in accounting form. As most of these countries operate their monetary system under strict currency control, or if they have a free currency but apply strict controls on exports and imports, like Switzerland, special permits are necessary to export or to import goods. In all Clearing deals, such permits require special licenses for the utilization of clearing balances.



Lacy Kux

Therefore, at the inception of the Clearing deal, is the license, issued by the Central Bank or an equivalent institution. As the Central Bank generally is the Supreme currency authority of a country, its foreign exchange and import or export licenses legalize the deal from the beginning.

On the other end of the deal is another Central Bank license or its equivalent, so that each Clearing transaction has two or more licenses, which give the legal basis for the performance of the merchandise movement.

The legal conditions ruling such operations have undergone constant modifications determined by purely economic or commercial problems which arise regularly in every country. Legislation has been published to include numerous shipping documents, consular invoices, certificates or orgin, certificates of consumption and others for the finalization of Clearing operations. All these regulations have legal force, but, as they are not the product of parliamentary procedure, they are far from being definite and often lack accuracy. This lack of definite legislation is often part of the monetary or trade policy which every government wants to be free to change if circumstances require such a move.

Trader and Legality

The trader has one major ambition. He does not want to run into legal difficulties which not only would jeopardize a whole operation, but which could immobilize capital, cause large losses and cost much of unnecessary time. He, therefore, complies to the best of his and his correspondent's knowledge with all existing regulations in order to avoid trouble. And as dozens of billions of dollars are the object of Clearing operations annually, I am inclined to believe that most of the dealers all over the world comply with Clearing legality, which by the way has to be cleared sometimes against three or more different territorial regulations; namely the currency legislation of the exporter's country, the importer's country, a possible third transit or switch country and the legislation of the country of the dealer's residence. Finally, the particular export and import regulations of the countries involved have to be checked. It is easy to understand that differences of territorial jurisdiction would tend to legitimize all activities of nonresidents who are not subjected to such legislation. But, here again it is the interest of the trader to explore all angles of legality in setting up the operation, because it pays in saving unnecessary troubles.

The Ethics Factor

The ethics behind these basic rules are rather simple. No Clearing transaction can be concealed from exchange authorities or custom officials The different operations forming a complete Clearing or switch deal have to be approved more than once by officials of the various countries or Central Banks which are parties to the movement of merchandise in any way, scope, shape or form.

The merchandise covered by most of such transactions moves in large quantities and generally in cargo lots. It, therefore, would be rather preposterous to suppose that a cargo of 10,000 tons of wheat or mineral ore can be shipped from one country to the other without the most detailed knowledge of foreign exchange control, custom officials, trade statistics or harbor administrations. This complete official knowledge of merchandise movements also excludes the possibility of large transfers of foreign exchange in payment for such imports. It should be clear to all parties interested in such dealings that observation of the most common ethics of legal observation is one of the most advantageous elements of Clearing dealings. It simply pays.

I do not hesitate to say that many Central Banks, or officials of Foreign Trade Control ease existing Clearing regulations from time to time. Such changes may take the form of either open or tacit approval of licenses or transactions which derive economic industrial or trading advantages for the respective country. But in all these cases, the trader has to observe again and again the ethics of the deal, in order to be successful.

As long as the currency authorities do not oppose the deal, the operation remains ethical and above reproach.

Bad Black Market Comparisons

Often mentioned by uninformed bankers or people who have never studied the intricate systems of Clearing transactions, these allegations, to say it mildly, are nothing but a misinterpretations of facts. I would like to state that since the British Currency Relaxation of March 22, 1954, more than 25% of the world trade moves within the framework of Clearing agreements and without dollar or sterling payments. If the governments did not license the trade, they would face major difficulties, depression, lack of major supply or unbearable surplus positions of products that could not be sold in direct bilateral clearings. We, the Clearing Dealers, have to help move the merchandise legally and in full daylight of the operation by supplying or using the Clearing currency.

Central Banks, according to the skill of their management, have learned not only to respect the Clearing Dealers, but have admitted that without Clearing or switch operations, their country's economic reconstruction during the postwar period would have been majorly retarded.

Therefore, all mumbling about black market aspects of Clearing operations are more than wrong. Discount rates of Clearing currencies, known to every Central Bank, could have been outlawed.

But they were not. On the contrary, countries with intelligent monetary administrations have not only taken on dealing in Clearing balances, but have given major help to their performance. And as black market dealings are only operations that are outlawed by currency authorities, I cannot see how Clearing business, favored and furthered by Central Banks, should be considered such. For this reason, let us drop all the black market arguments which are, at best, material for traders' comic books, but not for consideration of dealers who know trade ethics and regulations.

Applied Legality

I would not dare to speak to this so highly competent audience about the "Legality and Ethics of Clearing Transactions" if I could not illustrate my firm's and my philosophy by a classic example of cold facts; an example involving American products which were sold, shipped, cleared and paid in a three-cornered deal, involving the monetary authorities of one European and one African country.

A few months ago, one of the large public utility companies of Italy had to renew its stock of bituminous coal. The concern, unable to pay in U. S. dollars, asked dealers all over the world for firm offers of the combustion material. But, advised by us, its bankers, that an import license for the coal could be best obtained if the Italian Foreign Exchange Control authorized payment in the Egyptian Clearing, the offers, it was specified, had to be made against payment in Italian-Egyptian pounds.

A highly skilled New York coal exporter, eager to make the transaction, contacted my firm. He asked about the marketability of large amounts of Italian-Egyptian Clearing pounds against U. S. dollars.

We, the American Nile Corporation, immediately investigated all legal and technical aspects of the transaction. Having affiliates in Egypt, we were able to contact the Egyptian Foreign Exchange Control, which is a service division of the National Bank of Egypt. We obtained a license to receive approximately 750,000 Egyptian pounds from the Italian Clearing balance and to utilize the amount within a framework laid out for us by the Egyptian Foreign Exchange Control.

Moving Within the Law

The official assurance of Cairo's monetary authorities to transfer to us the Italian-Egyptian Clearing pounds, enabled us to make a firm bid in dollars, valid for several days, to the American coal firm. This bid gave them the possibility to offer their coal to the Italian public utility concern against payment in Egyptian Clearing pounds.

The New York exporter, facing competition abroad, as well as in the United States, sold 200,000 tons of American coal to the Italian concern within a few days. He did so because other U. S. coal shippers, not familiar with the handling of Clearing transactions, were simply unable to offer coal against anything but payment in U. S. dollars and foreign coal mines could not compete at all.

The reasons why the Italian and Egyptian authorities gave the necessary legal permissions to accomplish the deal were obvious.

The bi-lateral trade agreement between the Italian and Egyptian Republic required Italy to buy cotton and onions from Cairo, in order to match specified Egyptian purchases from Egypt. The trade treaty was not a barter agreement. It was based on the use and the accounting methods of Clearing currencies, in this case Egyptian pounds, expressed as "Italian-Egyptian Clearing pounds."

When Egypt had exhausted the so-called "swing" or leeway fixed in the agreement and her Clearing debt to Italy had reached sizable proportions, trade between the two countries came to a complete stand-still. And Italy's unspent Egyptian Clearing pounds were simply frozen in Cairo.

The American Nile Corporation, considering all economic aspects of the operation based its planning of the transaction on the thought that Italy, as well as Egypt, had a mutual interest; to make definite use of the frozen Clearing pounds. Italy needed them for the legal coal imports from the United States, thus saving her precious dollars. Egypt permitting their transfer within the frame of its Clearing regulations would increase the sale of her cotton, which otherwise would not have moved and would at the same time reduce her Clearing debt to Italy.

Practical Operation

The mechanics of the transfer were rather simple. The Italian public utility concern had accepted the offer to ship 200,000 tons of American coal from the New York exporter. It had at the same time secured a license from Italian Foreign Exchange Control, permitting the payment of the coal with Italy's blocked Egyptian Clearing pounds. Based on this license, a letter of credit in these pounds was opened by one of the major Italian banks in favor of the American Nile Corporation in New York. This irrevocable letter of credit was confirmed to us by cable by the Italian Bank.

The American Nile Corporation, in turn, immediately opened a letter of credit in U. S. dollars in

Continued on page 28

*A lecture by Mr. Kux delivered at the University of Illinois, Monticello, Ill., June 24, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks lost the better part of a big alibi but virtually none of their momentum this week. The excuse which had come into general use to explain the market's long and sharp upturn since last September were the dividend tax relief proposals in Washington. But last week these plans were somewhat seriously watered down in the legislative process so far. The market countered by extending its gains with just as much vigor.

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Even the intervention of the long holiday weekend, which normally leads to some nervous trimming of commitments, both before and after, failed to jar confidence and it was bracketed by two rather good gaining sessions.

* * *

Pivotal Issues Again

It was again largely the same familiar names that did the best work, pivotals like General Motors, Douglas Air, du Pont and Monsanto Chemical plus some newcomers to the leadership circle such as National Lead, Radio Corp., National Dairy and ACF Industries. The newer names could mean that the long-awaited broadening out of interest might be starting to get under way but the evidence is still inconclusive and the market is still a highly selective operation.

* * *

Douglas in particular was the star of this week in anticipation of a forthcoming earnings statement that is almost certain to make pleasant reading for its followers. In one session alone the issue was able to add half a dozen points at a time when it was expected to take a rest after sterling work throughout the uphill climb.

* * *

With the steel companies' union troubles satisfactorily settled, and the additional cost of the settlement promptly passed along to consumers of the metal, the shares were in enough favor to do some impressive work, U. S. Steel notably including a new high. There was once an adage that the motors made their highs half a year before a market topped out, and that the steels duplicated the feat only toward the end of the run. But this, like many of the other old market traditions, has gotten somewhat rumpled by the unorthodox manners of the present market. Not the least of the confusions is that General Motors decided to forge into new high territory simultaneously with U. S. Steel.

* * *

Pacific Mills was something of a guessing game of its own as the fate of an offer for the stock at a price considerably above the market remained in doubt. The issue sprinted several points on a couple of occasions, but wasn't particularly successful in holding it as the dubious traders moved in. To illustrate the low estate of the textile stocks generally, even the $45 offer wasn't sufficient to lift the issue to within half a dozen points of that figure, which left the 1950 and 1951 highs of 48 and 49 for the shares as the best of the postwar era.

* * *

Radio's Significant Performance

Radio Corp. was something different in the featured issues. Up to now the advance has concentrated to a great extent on issues that have long since forged to all-time highs which includes roughly half of the Dow industrials. But Radio is in the dour half. Its show of above-average strength carried it to the best price since the wild days of 1929-30 although the $115 of that era is well above the $32 line the stock crossed this week. By comparison, the industrial average which has advanced some 85 points since last September has only 40 more points to go to eclipse the fabulous reading of 1929. The fact that Radio Corp. has so much harder a road to retrace again spells out the market's selectivity.

* * *

Nevertheless, in all fairness the stock of this company has made good progress over recent years. It has increased in price threefold in the last decade and tenfold over its average level in the bleak days of World War II in 1941. The stock had seemed at something of a stalemate until recently when it finally exceeded the best level of the past two years which, by coincidence, was an exact $29.37.

* * *

American Telephone is another example of an issue in the average that hasn't kept pace with the high standing of the index itself. The issue came to life on strength this week following close to a month of lackadaisical behavior after its last ex-dividend date. But this stock's best level this year was 170 which, far from being of record proportions, is merely the best in half a dozen years and compares with the 1946 best of 200 and the 1929 peak of optimism when it crossed 310.

* * *

The Technical Aspects

Technically, some of the indications pointed to caution, and opinion among the market observers was somewhat sharply divided. To some, sharp runups in the favorites were viewed as speculative excesses that are impairing the market's basic position. It is true that the number of issues that have been able on a few sales to move widely by several points per session has been growing steadily. Some large blocks have also appeared in such unusual issues as Illinois Central, usually negotiated at a fairly large price concession, which could indicate a bit of covert liquidation.

* * *

In addition, the mid-June reaction that carried, at the extreme, to a mere 10 points was much too mild to qualify as a full-scale secondary correction. It was also too brief, being followed by a rebound to new high ground without any pause to consolidate.

* * *

Soft Spots

Apart from the secondary and speculative issues, there have been plenty of soft spots around, well obscured by the performance of the blue chips. United Fruit, which ended a rather long period of being stuck in the doldrums with a good recovery move once the Guatemalan situation came to a head, was clipped back rather sharply when the government started an anti-trust action against the firm.

* * *

Except for an occasional feature, the petroleum issues generally have been in a rather protracted rut due to high inventories and expectations of price cuts. Textile shares have yet to build up a following despite predictions for several years now that they are about to turn the corner. Independent auto makers and auto supply firms generally have done little with any real conviction. The rails have shown small disposition to exploit their breakthrough into new high ground for two dozen years, and they are at a level less than half that reached in the 1930 rebound, still hovering a point or so above the best marks reached in 1952 and 1953. This is in sharp contrast with the lofty levels attained by the industrial average.

* * *

Paper stocks along with the chemicals, aircrafts, steels and non-ferrous metals, electrical equipments and selected machine tool makers did the bulk of the job to keep the advance going. The tobaccos, which suffered somewhat drastically after recent health surveys, weren't especially prominent on strength but were somewhat more stable than has been their recent role. Indications point to sales finally picking up slightly over last year when a halt to the long-term upward trend set in.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Glore, Forgan Sells Baltimore & Ohio Bds.

Glore, Forgan & Co., New York and Chicago investment bankers, has placed privately with a group of institutional investors $60,000,000 of collateral trust 4% bonds, series A, due Jan. 1, 1965, of The Baltimore & Ohio RR. These bonds had previously been purchased from the Reconstruction Finance Corporation which had held $[illegible]4,585,000 of these bonds. The difference of $4,585,000 principal amount were taken up by the railroad at par.

With Pacific N'west Co.

(Special to THE FINANCIAL CHRONICLE)

SEATTLE, Wash. — George W. Bateman has been added to the staff of Pacific Northwest Company, Exchange Building.

McCoy & Willard Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Arvid S. Wahlstrom is now with McCoy & Willard, 30 Federal Street.

Richard L. Morris

Richard L. Morris passed away at the age of 78. Prior to his retirement he had been for many years a partner in Hayden, Stone & Co.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Edward C. Bahneman is now associated with King Merritt & Co., Inc.

Minneapolis Assoc. Add

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Earl K. Lowry and Matthew A. Norcia have been added to the staff of Minneapolis Associates, Inc., Rand Tower.

Joins Smith, LaHue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Elmer F. Rustad is with Smith, La Hue & Co., Pioneer Building.

Two With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Paul C. Guignon, Sr. and John A. Ladd, Jr. have become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. Mr. Ladd was previously with Fusz-Schmelzle & Co.

Now With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Henry C. Cooke has become associated with Paine, Webber, Jackson & Curtis, Union Commerce Building.

A Labor Program for Full Employment

By SOLOMON BARKIN*
Director of Research
Textile Workers Union of America, CIO

Labor economist scores what he terms "the tolerant policy" of present Administration towards unemployment situation. Holds government must underwrite full employment, and claims "unemployment is intolerably high." Reviews factors which have precipitated current widespread unemployment and holds no spontaneous recovery to full employment can be expected. Advocates as needed to stimulate greater purchasing power: (1) increase in minimum wage to $1.25 per hour; (2) liberalization of old age security system and unemployment benefits; (3) increase in income tax exemption to $800, and (4) repeal of Taft-Hartley Act.

This country is divided on the level of unemployment which we shall tolerate and on the responsibility of our Federal Government to protect this number of jobs. Trade unionists and responsible liberal elements are lined up against the business interests and our national Administration, callous to the high human costs of unemployment. The latter are quite tolerant, despite reluctant infrequent professions to the contrary, to the current volume of unemployment.

Solomon Barkin

This is not a new controversy. It is one which has divided our country during the postwar years. The attack on the "welfare state" and President Eisenhower's plea for taking the government out of economics are made of the same matrix. The men who support this view defeated the full employment pledge proposed in 1946. The Employment Act as adopted merely demands that it shall be the "continuing policy and responsibility of the Federal Government to promote maximum employment, production and purchasing power." The business community has not accepted its responsibility of developing a full employment economy. It is satisfied with high employment and a continuing large group of unemployed.

The battle is between two views of government and society. One places the preservation of the economic and personal vitality of the worker as the prime determinant of action; the other is indifferent to the sacrifices of these values, hopefully expecting private business to provide a continuing high level of employment discouraging severe political eruptions, without taxing its economic ingenuity.

We stand in opposition to the present Administration in its attitude toward unemployment. All persons willing to work should have an opportunity for employment. During the last 15 years, the nation has urged all to work because we have had a shortage of workers to execute the tremendous production program. We learned that jobs can be designed to employ all who want to work. The handicapped and the older persons, hitherto placed on the scrap heap, can be profitably employed. Work can be fashioned to provide jobs for those who need part-time employment.

Government and Full Employment

Government must underwrite full employment. Without such governmental activity, we would not have had and shall not have full employment. The tremendous burden of the 40-year war to which President Eisenhower referred recently can be eased by having everybody contribute their efforts and minds. How can we hope to assist undeveloped nations to build up sound and expanding economic and political systems if we waste our own resources through unemployment and idle capacity? Is it not wiser to stimulate physical output, to raise our standards and to facilitate our contributions to the peoples abroad than to concern ourselves with the paltry deficits which can be wiped out by a fair tax system?

An era of full employment is not only financially and economically wise, but also is necessary to the mental health of our people. In the years gone by, when we enjoyed a minimum of unemployment, social tensions were reduced. We raised our individual and national well-being so that we provided a model for the rest of the world. Now, we shrink with apologies for our unemployment. Optimism then pervaded the American worker's outlook rather than the doubt and uncertainty which now corrodes his outlook, implanting feelings of insecurity.

People, in the era of full employment, could have jobs which suited them best. Employers tried then to place people on jobs which fitted them. Personnel policies became more generous. Collective bargaining operated in a favorable atmosphere. Social tensions were reduced and the barriers to minority groups were lowered. They favored the progress which brought the now-famous Supreme Court decision on segregation. These gains are now endangered by the discontent, pessimism and suspicion engendered by the onrush of insecurity pervading our present society. Now we get rigorous selection of applicants and the signs of the scrap heap are beginning to appear.

Only a distorted sense of economy can tempt one to insist upon a balanced national budget in preference to a balanced national economy. Our economic balance must be measured not by such accounting devices as the state of the national budget, but by our success in utilizing efficiently and fully our resources and manpower. While there is unemployed manpower, we have an imbalance and a waste which should be more disturbing than any financial deficit recorded on a budget statement. A fully employed economy can easily, through legislation, eliminate any budget imbalance which may exist. The preachments of the budget balancers are no more than the outcries of the rich and the economically powerful against taxation of their income and wealth.

This conflict in views has been sharpened during the year by statements of the President, the Secretary of the Treasury, and particularly the Chairman of the Council of Economic Advisors. The latter has rejected the philosophy of the former Council Chairman, who assumed that the Council had not only to follow our current economic developments, but also to set the guideposts for legislative and administrative action on the basis of a growing, fully-employed economy in which standards of living are being constantly raised. Our economic prowess was to be translated into a fuller life. The deficiencies in our opportunities and the sub-standard levels were to be eliminated. But the new Council Chairman will have none of it. He is a business economist who deals with indicators of activity which compare the present with the past, but omits any reference to our expanding population and productivity and the vision of progress so fundamental to the American philosophy. For truly, as Professor Sumner Slichter has said, the present Council of Economic Advisors has accepted a "level of unemployment" which is "considerably higher than the people of the country will find tolerable."

Full employment has not been mentioned in its report to the President. It speaks only once of "reasonably full employment," which is an inadvertent reference rather than a specific declaration of responsibility. Nowhere in its report does it specify the levels of employment required to carry out the purposes of the Employment Act of 1946, although the Act calls for such estimates.

The Council has failed to budget our national economic accounts. It has destroyed itself as an instrument for testing our national performance. It has become an apologist for delay and inaction. Along with the Administration, the Council stands convicted of a desire to perpetuate partial unemployment. This goal has been earnestly sought by sectors of the American business community anxious to weed out the less efficient workers, to best the trade union movement in bargaining, and to reduce production operations to manageable proportions for higher internal efficiency.

The Administration is gambling with the well-being of millions of idle Americans suffering from the importunities of unemployment. It has continued to rely on economic stabilizers built into the economy by previous administrations. It awaits industrial growth, hopefully anticipated from the lavish bounties it has recommended. It relies on Congress to grant these bequests to busines and property-owners, for it knows that Congress is steeped in the tradition that the motive force of our economy is profits, whether gained from true enterprise, government subsidy or tax concessions and exemptions to monopoly powers. The big business interests are risking our country's future on the chance that tax concessions to business and the governmental guarantees on housing loans will stem the tide. Instead, therefore, of addressing itself wholeheartedly to the problem of creating full employment, the Administration has flooded us with words of faith, speeches exhorting patience and news releases replete with glowing statements of confidence that the turn has come and the future is sure. Instead of a recession, we have been told we are experiencing a rolling adjustment, a transition or a correction. While it no longer condemns critics as "prophets of doom," it has not abandoned its deliberate efforts to talk us into a business recovery.

The Unemployed

Can we recover from our present recession through stimulation of investments? The Administration looks at production figures and compares them with the previous year's output. Is this the proper measure of success in our economy? We who are dedicated to a full employment economy cannot accept this test. We assume that the measure is the amount of unemployment and underemployment. Are we providing people with jobs? Are we increasing the number of our jobs to correspond to the rise in the number of job seekers? Are they all enjoying the benefits of rising productivity through higher living standards? These are the gauges of success. The test is not past, but present needs.

Unemployment is intolerably high. The may 1954 Census Bureau report shows the number as being 3,305,000. To this group we must add those people who technically have jobs, but are not at work because of layoffs and expecting future jobs; these number 848,000. Then, there are the people who have been counted out of the labor market, but who are, nevertheless, eligible for work; these number some 700,000. (The calculation is based on the May 1952 levels of work participation.) We are, therefore, definitely confronted with the challenge of finding 4,900,000 more jobs than are being held at the present time.

In addition, there were 8,344,000 persons working less than 35 hours per week. The may survey of the Labor Force reports that there were 3,550,000 workers who usually worked full time at their present job, but who were working part-time. About one-half of these people ascribed the part-time schedule to economic factors. The number in May represents an increase of 100,000 over March and 430,000 over December 1953.

In the week of May 22, 2,078,731 workers were receiving unemployment benefits; they constituted 5.7% of the total covered employees. In addition, 76,593 persons were receiving unemployment benefits under the Veterans Readjustments Assistance Act. Equally significant is the fact that large numbers of workers have exhausted their unemployment insurance benefits.

Even though there was a slight drop in the number of unemployed in May, it was smaller than the usual seasonal drop of proceding years. The reduction was due primarily to the pick-up of 750,000 jobs in agriculture. Actually, in the non-agricultural employments, there was a decline of 124,000, localized primarily in the manufacturing, wholesale and retail industries, where a drop of 274,000, was offset by a slight rise in construction, transportation, finance and government.

There is general agreement that there was a rise in unemployment in June and that it will continue through the next few months.

Equally significant is the fact that 133 of the 145 labor market areas are now classified as labor surplus areas, and there are no areas with labor shortages. The United States Department of Labor has found it necessary to establish a new classification—"substantial labor surplus" (12% or more) for six cities, three of these are in Pennsylvania (Altoona, Johntown and Wilkes-Barre-Scranton), two in New England (Lawrence and Providence), and one in Wisconsin (Kenosha).

We are, therefore, faced with the huge challenge of finding new employment and doing it quickly. There are millions of people being demoralized and losing their work qualifications. Some one-third of those counted officially as unemployed have been out of work for 15 weeks or more. Unemployment is most severe among the oldest and youngest age groups, and among the non-white population.

Can We Expect Spontaneous Recovery to Full Employment?

To evaluate our ability to restore full employment without vigorous governmental action, we must determine the factors which

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*An address by Mr. Barkin before the Labor Education Association, Philadelphia Area, Delivered at Haverford College, June 13, 1954.

Tax Reduction as Stimulus to Employment and Economic Growth

By GEORGE G. HAGEDORN
Assistant Director of Research
National Association of Manufacturers

In discussing the question of the form of tax reduction that is likely to stimuate employment and economic growth National Association of Manufacturers economist contends that, although as far as immediate effects on employment are concerned, tax reduction to the consumer may have the same impact as tax reduction on investment income, the long-run effect of lower taxes on investment income would be more lasting and more beneficial to employment and economic growth

Practically everyone agrees that tax reductions, insofar as they are permitted by reductions in government spending, can be stimulating to employment and to long-term economic growth. But there are two schools of thought on the question of **what form** of tax reduction is likely to be most beneficial.

One school contends that tax reduction should be aimed at stimulating consumer demand through the process of leaving more "purchasing power" in the hands of consumers. They therefore favor reductions of personal taxes in preference to business taxes and reductions of rates on middle or higher incomes. Concretely, adherents of this point of view propose that reductions take the form of increased exemptions and cuts in excise rates.

The other school believes that the margin for tax reduction should be used primarily to stimulate business incentives for production and investment, and to increase the supply of capital available for these purposes. This side favors tax reduction in the form of reduction in the progressive rates of personal tax, cuts in the corporation tax rate, more liberal allowances for depreciation, etc.

Tax reduction has its stimulating effect on the economy, if any, through its influence on people's decisions to buy things they otherwise would not buy. Consumers may be led to purchase more automobiles, housing, clothing, or any of the other things consumers buy. Business may be led to buy more tools, machinery, buildings or inventories.

At the outset it should be remembered that such stimulation to additional buying will be ineffective if the economy's productive resources are already in full use. Under these circumstances the added stimulus for buying meets no added supply of goods to be bought. The result can only be a bidding up of prices for the existing supply—that is, inflation.

But when tax reduction occurs as a concomitant to reduction in government spending a genuine increase in private spending can occur. The government buys less and therefore releases manpower and other facilities for the production of additional goods for private purchasers. The purpose of the present analysis is to determine how, in this type of situation, various forms of tax reduction will affect spending, employment and long-term growth.

Private expenditures may be divided into two broad types: consumer spending and investment spending. Consumer spending consists of people's purchases of food, clothing, housing, automobiles, furniture, and all the other things we use in our daily lives. Investment spending includes the purchases of industrial machinery and buildings, tools, and similar things that are used in the productive process.

As far as immediate effects on employment are concerned there is little reason for preferring one type of spending to the other. People have to be employed to produce consumer goods just as they have to be employed to produce industrial equipment. If consumers decide to buy an additional billion dollars worth of automobiles, about the same number of people will be put to work making the automobiles as would be put to work if manufacturers decided to buy an additional billion dollars worth of factory machinery.

But investment spending has a long-run stimulating effect on employment and growth that consumer spending does not have. When consumers spend an additional billion dollars on automobiles, the stimulus to employment is over and done with when the automobiles are delivered. But when investors buy an additional billion dollars worth of plant and equipment, the plant and equipment is available thereafter as part of the nation's productive facilities. People can be put to work in the new plants using the new equipment. The nation is strengthened and standards of living can be raised as a result of our increased productive capacity. Constant investment to improve and expand our productive facilities is the historical process which has made us the richest and most powerful nation on earth.

Tax reduction can affect the rate of spending—either consumer spending or investment spending—in two separate ways. First, it can stimulate spending through leaving a greater amount of income in the hands of those who have earned it to spend (or not to spend) as they will. It is reasonable to suppose that if taxpayers receive a one billion dollar cut in taxes they will spend at least a part of the billion dollars to buy things they would otherwise not have bought. This is true whether the additional money is left in the hands of corporations, investors, or employees.

A second way in which tax reduction can stimulate spending is by making it more profitable to purchase certain types of investment goods. An investor is more likely to buy new machinery if he knows that the income he will derive from using the machinery will be taxed at a lower rate.

In other words, tax reduction can stimulate spending in two distinct ways:

(1) Through its effect on the supply of spendable private funds.

(2) Through its effect on incentives.

Effects of Tax Reduction on the Flow of Income and Expenditure

Tax reduction, no matter what form it takes, results in a greater supply of spendable funds in somebody's hands. But this doesn't mean that the additional funds will necessarily be spent. They may be, or they may not be. Only to the extent that the increased funds result in an actual increase in spending—either for consumer goods or for investment goods—can tax reduction stimulate employment. It is at least conceivable that different forms of tax reduction will have different effects on the actual rate of spending, and this problem will require some analysis.

As already explained, although consumer spending and investment spending have the same **immediate** effects on employment, investment spending has **long-run** beneficial effects that consumer spending does not have. It is possible that the various alternative forms of tax reduction, aside from their effects on total private spending, will have effects on the division of that total as between consumer goods and investment goods. This too requires some thoughtful consideration.

It is of course impossible to predict precisely what any person or any corporation will do with the additional income left as a result of a tax reduction. But it is helpful at least to examine all the alternative possibilities. This is done systematically in the accompanying tabulation.

When a taxpayer receives a cut in his tax liability under the individual income tax, his tax saving may be used in any of four ways. He may spend more for consumer goods; he may make a greater amount available (through various investment channels) for investment spending; he may pay off debts; or he may pile up cash.* The amount saved through tax reduction must show up in one, or a combination, of these four categories.

Tax reduction which shows up in greater consumer spending or in greater investment is stimulating to employment. Tax reduction which results in the paying off of debts or in the accumulation of cash has no immediate effects on employment, since in such cases nothing is bought. However, both the paying off of debts and the accumulation of cash places the taxpayer in a better position to buy in the future.

If a cut in individual income taxes is contemplated, it might take a variety of forms. To list only two of them, it might for example take the form of an increase in exemptions, or it might take the form of a reduction in the progressivity of the rates on middle and upper incomes.

*The taxpayer may also use the money to buy an existing asset. But this simply transfers the problem, since the seller of the asset must then choose among the four listed alternatives.

A comparison of these two alternatives suggests that an increase in exemptions would probably be more stimulating to consumer spending, while a reduction in the progressive rates would probably be more stimulating to investment spending. But there seems to be no good reason for supposing that there would be any substantial difference between the two alternatives in their effects on total spending.

Either type of tax reduction might be used by taxpayers to pay off their debts, and in this case it would not have any immediate effect in raising employment. Since consumers at all levels of income have been increasing their indebtedness rapidly in recent years — particularly instalment debt and mortgage debt— this might occur to some extent. But these types of debt usually call for repayment at a specified monthly rate, and it is unlikely that the rate of repayment would be accelerated as a result of a tax reduction.

However, the tax reduction may decrease the need for new borrowing. The consumer who would buy a car on credit might find that, as a result of the tax reduction, he is able to pay cash for it instead. In this case the tax reduction has not led to any spending that would not have occurred without it, and therefore has not stimulated employment. Such instances are more likely to occur when tax reductions are concentrated on the lower income brackets, who customarily use instalment credit.

Finally, the taxpayer may simply keep the amount he saves through tax reduction in cash or its equivalent. In this case the tax reduction does not have any immediate effect in stimulating employment but the taxpayer's increased cash holdings put him in a better position to buy later on.

There is no reason for supposing that any particular form of tax reduction is more likely to be kept in cash than any other form. True, persons who have surplus funds to invest customarily keep a certain reserve in cash for meeting unexpected emergencies or opportunities. But such persons tend to hold their cash at a minimum, since they prefer to keep their assets in forms which earn income for them.

Turning to an analysis of the effect of a reduction in corporate income taxes, exactly the same possibilities exist (see table). When a corporation is allowed to keep a larger part of the profit it has earned, it may, first, distribute the increased amount in the form of greater dividends. If this happens the tax saving becomes increased purchasing power for individuals in the same way as a reduction in tax rates on individuals, with exactly the same potentialities for increased consumer spending or increased investment.

It may be noted in passing that such an increase in dividends would not be at all amiss, since dividend payments have lagged behind the increase in other forms of income. In the 1930's dividend payments amounted to 6% of national income whereas in 1953 they were only 3%.

If the corporation decides to retain the amount it saved through tax reduction, rather than passing it on to stockholders, the retained amount may be spent for machinery, plant, etc.; it may be used to pay off debt; or it may be accumulated in cash. The last outcome is the least likely, since corporations do not ordinarily withhold profits from their stockholders simply to keep them in the form of an unproductive hoard of cash. They retain profits when they need them to buy the things necessary for carrying out their business plans—machinery, buildings, etc. This type of spending stimulates employment in the short run, and contributes toward employment, productivity, and growth in the longer run.

Effects of Tax Reduction on Incentives

The economic effects of a reduction in taxes are not necessarily limited to the resulting increase in the spendable funds available to taxpayers. On top of these effects, the taxpayers may be stimulated to further job-creating activities by the greater prospective profitability of future operations.

Under our system businessmen are guided in their decisions to produce, their decisions to invest for future production, and their decisions to hire men for both purposes, by the amount of profit they can expect to earn *and keep* from such activities.

Any reduction in the rate of taxation on income earned from investments tends to encourage production, investment and employment. This stimulation of incentives is most effective for types of tax reduction which are concentrated on incomes derived from business enterprise and investment.

It should be emphasized that this effect on incentives is *in addition to* the effect of tax reductions in making greater amounts available for private spending. A cut in taxes on incomes derived from labor has one effect in stimulating business — it releases spendable funds. Tax reduction which is designed to reduce the burden on investment income has two stimulating effects — it releases spendable funds *and* it improves incentives.

Prospects for Investment

In some quarters the view is held that under present circumstances there is no prospect of increasing the rate of investment through tax reductions on investment incomes. It is argued that, since production is below the levels attained in 1953, there is no reason for anyone to invest in additional productive facilities. According to this view there is insufficient demand to keep present facilities occupied and until this slack is taken up there is no incentive, whatever the tax situation, for any further investment. Therefore, adherents of this theory conclude, the first objective in tax reduction must be to increase the purchasing power of consumers.

It may first be noted that if this were a correct appraisal of the current situation, the rate of investment should by now have declined virtually to zero. Businessmen should all be marking time waiting for consumer demand to catch up with their present capacity. But the facts are

FIRST-STAGE EFFECTS OF VARIOUS FORMS O F TAX REDUCTION ON THE FLOW OF INCOME AND EXPENDITURE

I. Reduction in personal income taxes

Increase in the income after taxes of individuals, leading to either:

A. Increased expenditure on consumer goods*

or B. Increased saving by individuals, taking the form of either:

1. Increased investment*
or 2. Paying off of outstanding debts
or 3. Increase in holdings of cash

II. Reduction in excise taxes

Decrease in the gross price of goods and services to purchasers, leading to either:

A. Increase in physical quantity of goods and services purchased by consumers*

or B. Increased having by individuals, taking the form of either:

1. Increased investment*
or 2. Paying off of outstanding debts
or 3. Increase in holdings of cash

III. Reduction in corporation taxes

Increase in the net profits after taxes of corporations, leading to either:

A. Increased dividends, leading to an increase of individual income after taxes, with the same effects as under I.*

or B. Increased retained earnings, taking the form of either:

1. Increased investment*
or 2. Paying off of outstanding debts
or 3. Increase in holdings of cash

*Immediately stimulating to employment.

quite different, as revealed in the following tabulation:

Business Expenditures for New Plant and Equqipment
(Billions of dollars, seasonally adjusted annual rates)

1953—	
First Quarter	$27.8
Second Quarter	28.5
Third Quarter	28.9
Fourth Quarter	28.6
1954—	
First Quarter	27.5
Second Quarter	26.9*
Third Quarter	26.8*

*Estimate of SEC, based on information collected in April and May, 1954.

There has been no appreciable decline in business purchases of plant and equipment. Throughout 1953 and even into the first quarter of 1954 such outlays have remained close to an all time high. Business plans, as of April and May 1954, call for total plant and equipment expenditures in 1954 only 4½% below the all-time record set last year.

The main reason why investment expenditures have held up even during the increase in unemployment is that businessmen base their investment decisions on long-term considerations, rather than on the passing picture. It takes time to build new plant and install new equipment. After they are installed, the normal expectation is that they will be in use for many years. In purchasing plant and equipment businessmen must be guided by their expectations for the future, rather than their observations of the immediate present.

Even when some of the existing capacity of an industry lies idle, there is still an incentive for the installation of new, more modern and more efficient, equipment. In fact in such a situation competition is intensified and there is even greater incentive for businessmen to improve their competitive position by installing the most efficient models. Whether businessmen actually do so depends on their faith in the future, and their hope of earning a profit on their investment. Reduction of taxes can influence these fundamental factors.

Where Has the "Squeeze" Occurred?

Of course, there must always be a balance between consumption and investment, and between consumers' incomes and business incomes. We would not expect consumers to live on nothing a year while all our resources are devoted to producing plant and equipment. If it turned out that consumers' incomes had in recent years fallen far behind investors' incomes, we might expect that any possible tax reduction should be framed so as to redress this inequity and thereby restore health to the economy.

The fact is that the "squeeze" has all been the other way. Investors' incomes have not kept pace with other types of income. This is indicated in the following statistics on what happened between 1950 and 1953 (money figures in billions of dollars):

	1950	1953	% Change
Individual income*	$205.8	$247.9	+20%
Corporate income*	22.7	19.0	—16%
Dividend payments†	9.1	9.3	+ 2%

*After taxes. †Before personal taxes.

If we were to accept the view that present difficulties are due to a distortion in the income pattern, and that tax reductions should be used to correct that distortion, the facts would force us to conclude that tax reductions should be aimed at giving special relief to income derived from investment.

Summary of Major Conclusions

(1) Additional spending of any character—whether for consumer goods or for industrial plant and equipment—has a stimulating effect on production and employment. However spending for plant and equipment has in addition a long-run beneficial effect on economic growth that consumer spending does not have.

(2) Any form of tax reduction releases funds for increased spending either by consumers or by business. A reduction of the tax burden on investment income has a further effect on spending through improving the expected profitability of investment outlays.

(3) Savings to taxpayers resulting from tax cuts may in some instances remain unspent and therefore have no effect in stimulating production. This is not likely to occur in the case of a tax saving to investors, since investors prefer to keep their resources in forms which can earn a return.

(4) Under present circumstances there is every reason to expect that investment spending can be maintained or increased. What happens will depend in part on the anticipated profitability of investment—as affected by trends in the tax structure.

(5) In recent years incomes from investments have not kept pace with the growth in consumer incomes in general. Any form of tax reduction which denies relief to investment incomes would intensify the distortion.

Benson, Lussey V.-Ps. Of Wm. E. Pollock Co.

Henry Benson

Henry Benson and Harry W. Lussey have been elected vice-presidents of Wm. E. Pollock & Co. Inc., 20 Pine Street, New York City.

Course on Managing Money in Today's Mkt.

Establishment of a Business Administration Center at the New School for Social Research with evening courses ranging from investing to law for the businessman was announced today by Dr. Hans Simons, New School President. The courses begin Sept. 30.

A. Wilfred May, of the "Commercial and Financial Chronicle" and formerly with the SEC; and Leo Barnes, author, chief economist of Prentice-Hall, Inc. and editor of the newsletter "Business Significance of the News," will teach an investment course subtitled "Managing Your Money in Today's Markets."

New A. C. Allyn Office

QUINCY, Ill.—A. C. Allyn & Co., member of the principal stock exchanges, announces the opening of an office in Quincy, Ill., with Fred W. Sueltman as Registered Representative. A. C. Allyn & Co. now has offices in 25 cities, including headquarters in Chicago and major offices in New York and Boston.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Gerhard H. Pagenstecher has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building.

IBA Committee Reports on Local Service Air Transportation

Committee, headed by Wm. Barclay Harding, concludes there is strong evidence that air transport industry, as a whole, is not subsidized, but, on contrary, returns a net profit to the Treasury. Sees elimination of air transport subsidies as leading to reduction of air transport services. Urges rearrangement of the Government departments and agencies having jurisdiction over civil aviation, and revision of certain rate making procedures by Civil Aeronautics Board. Says present Civil Aeronautics Act is sound in basic principles.

In a special report, released on July 6, on "Local Service Air Transportation and Metropolitan Helicopter Services," by the Aviation Securities Committee of the Investment Bankers Association of America, whose Chairman is Wm. Barclay Harding, partner, Smith, Barney & Co., Investment Bankers, New York City, there is considerable discussion of the question of government subsidies to aviation companies and the regulation of aviation charges and rates. The report was a long time in preparation, because of unusual precautions which were taken to check the facts, conclusions, and recommendations and as a document, it may be accepted as a significant addition to existing knowledge about the financial aspects of the U. S. Air Transportation Industry.

Wm. B. Harding

The section of the report covering conclusions and recommendations follows:

"Our studies have led us to the conclusion that misconceptions regarding the facts relating to government support of our air transportation system are widespread. We believe that this is a very serious matter because, without public understanding and proper legislative support, the companies engaged in rendering the services for which they were certificated, find themselves under constant pressure, which undoubtedly has a detrimental effect on their ability to render efficient service. There are many, including persons in important official positions, who think that the Federal funds paid to carriers to enable them to perform the services which they are required to render in the public interest, are paid 'for the benefit of the carriers.' The facts indicate that the carriers are paid barely enough to survive.

"There is a strong stigma attached to the word 'subsidy.' It is our opinion that the emphasis which has been placed on air transport subsidies by government officials, some legislators and competing forms of transportation, is out of all proportion to the true significance of the subsidy payments, and that this has resulted in air transportation being accorded less favorable economic treatment than other government regulated industries. Federal funds paid for the services rendered by the aircraft manufacturing industry, which is also subject to government regulation and is even more dependent on government financial support, do not carry the 'subsidy' stigma, and as a result that industry enjoys a much healthier economic status.

"There is strong evidence that the air transport industry, taken as a whole, is not subsidized but on the contrary, returns a net profit to the U. S. Treasury. (See note on Exhibit K.) This is not generally appreciated. In any case, the amount spent in support of local service and helicopter air transportation is small as compared with other Federal expenditures made in support of broad national objectives (Exhibit K).

"If the *elimination* of air transportation subsidies is as important as some legislators and Administration officials have suggested recently, there is only one way that this can be accomplished—that is by elimination of the services being rendered. Taking into consideration, first, the rapid expansion of our population generally predicted and, secondly, the threat of atomic warfare which has made it necessary to give strategic dispersal of our population and our industry increasing consideration, we conclude that the need for local service and helicopter transportation will increase rather than diminish. Therefore we believe it unrealistic to expect that any substantial reduction of subsidies can or should be accomplished by reduction of services to the public.

"The possibility exists that the cost of local service transportation to the government could be reduced to some degree by improved efficiency. The government could make a major contribution in this direction by simplifying the complicated regulatory procedures which now consume an unduly large proportion of airline management time and administrative expense. Also, increased efficiency would probably result from the consolidation of carriers in some areas, and the elimination of overlapping services in others. It is not our intention to express an opinion on the manner in which local service should be provided — whether by specialized local service carriers, as at present, or by the trunk lines under the public utility concept that, in exchange for the privilege of serving the more lucrative markets on a semi-monopoly basis, the trunks must provide minimum services to the smaller cities in the same geographic region. We feel that the CAB procedure for determining what services are required in the public interest and which carriers should operate them is generally fair and certainly thorough.

"There are some who feel that the distinction which exists between local service carriers and trunk lines is arbitrary and unrealistic, and there are those who believe that the trunk lines could take over the local service companies and the routes which they operate, and perform the same services at less expense. While these views may have some justification in certain cases, we have found no basis for believing that the trunk lines could take over and operate the entire local service system as it now exists and effect any substantial saving in the cost of rendering this service. If the trunk carriers (which already operate a large amount of unprofitable local service mileage) were willing and able to absorb the cost of operating additional unprofitable local service routes, government subsidy requirements would of course go down, but the earnings of the trunk lines would decline at the same time. The capacity of the trunk lines to relieve the gov-

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Government and the Welfare Concept

By LORD BEVERIDGE*
Oxford, England

Prominent British economist, an authority on social security, reviews the welfare concept contained in the "Beveridge Report," which is the basis of the British National Insurance Act of 1946. Lists as practical rules in his social security program: (1) benefits must be enough for subsistance and should be given as a right and not as a dole; (2) benefits should be given only on condition of adequate contributions, and (3) benefits should cover all citizens for the whole of their lives. Discusses main differences between British and U. S. social security. Concludes social security cannot be conferred on men by a welfare State, but must be won by cooperation between the State and its citizens.

The Welfare Concept in the Beveridge Report

My idea of the Welfare Concept and of the government's role in regard to it, as I tried to put it in the Beveridge Report on Social Insurance and Allied Services, nearly 12 years ago, is given in an early paragraph of that Report.

"Social security must be achieved by cooperation between the State and the individual. The State should offer security for service and contribution. The State in organizing security should not stifle incentive, opportunity, responsibility; in establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family."

The gist of the paragraph is that the State sould see to it that in return for service and contribution every individual can be sure of an income at all times sufficient for the needs of himself and his dependents, but this income should be a minimum only; not all that most men would desire but something on which they should build in their own discretion for more than the minimum.

Exactly the same idea is set out, in other words, in the Message on Social Security sent to Congress by your President last January, proposing an extension of old age and survivors insurance:

"The system is not intended as a substitute for private savings, pension plans and insurance protection. It is rather intended as the foundation upon which these other forms of protection can be soundly built."

The Beveridge Report of 1942 became the basis of the National Insurance Act of 1946. The Message to Congress by a Republican President in January, 1954, accepted and proposed to extend an Act sponsored by a Democratic President in 1935. The common scale of values in our two countries in relation to welfare stands clear. The general method adopted by the two countries in this field has also been the same—that of compulsory social insurance.

The Beveridge Report proceeded to three practical rules about the minimum to be guaranteed to all for security:

(1) The benefits must be themselves be enough for subsistence and must be given as of right, not on condition of proving need. Any means test, if it became at all general, would discourage individuals from thinking and saving for themselves.

(2) The benefits should be given only on condition of adequate contribution. Social Security had to be paid for.

(3) The benefits should cover all citizens for the whole of their lives.

When the Report was published, it became widely described as proposing insurance for everybody from "the cradle to the grave." I have been interested in reading recently Miss Frances Perkins' book on Franklin Roosevelt and her discussion there of the "cardle to grave" phrase and its authorship. I can only say that I am sure that I did not invent the phrase myself and that it does not occur in the Beveridge Report. I am not sure that I ever used it, any more than I used the term Welfare State. It proved, however, to have a great appeal to the press in 1942 as it has made an appeal to poets from 18th Century John Dyer onwards. A modern poet—Samuel Hoffenstein—from I think your side of the Atlantic has dealt with the problem practically:

"Babies haven't any hair;
Old men's heads are just as bare;
Between the cradle and the grave
Lies a haircut and a shave."

So far as I know provision of free haircuts and shaves has not yet been included in the Social Security program of any country. But short of that and without using the phrase, the Report which I presented to the British Government in December, 1942, put insurance from cradle to grave substantially into practice. It proposed a string of benefits, beginning with maternity and childrens' allowances, proceeding through sickness, unemployment and industrial accident, old age and death of the breadwinner to provision of a funeral grant.. All these money benefits were to be accompanied by a National Health Service.

The Report of 1942 was in substance adopted in the two National Insurance Acts of 1946 cominto force in July, 1943, with accompanying Acts for Family Allowances in 1945, for a National Health Service in 1946 and for National Assistance in 1948. There were, of course, differences between the Report and the legislation.

More important than the differences is the fact that the Labor Government of 1946 (in this respect differing from the Coalition Government of 1941-1945) accepted in substance the central principle of my Report, the subsistence principle, that benefits should be related to the cost of living.

Social Security, broadly on the lines of the Beveridge Report has been in force in Britain for nearly six years. This year the system as a whole is being reviewed.

There are at the moment four important official inquiries in hand in Britain, on different aspects of social security.

(1) The Quinquennial Report on the financial condition of the National Insurance Fund, which the Government Actuary is required by Section 39 of the National Insurance Act to make to the Treasury, and which has to be followed under Section 40 of the Act by a review of rates of benefit by the Minister of Pensions and National Insurance, in relation to the cost of living and to changes in it since the rates were fixed.

(2) A Committee appointed by the Chancellor of the Exchequer in July, 1953, to report on the economic and financial aspects of provision for old age. This Committee has as Chairman a retired Civil Servant, Sir Thomas Phillips.

(3) A Committee appointed in April, 1953, by the Minister of Health and Secretary of State for Scotland to report on the finance and administration of the National Health Service. The Chairman of the Committee is C. W. Guillebaud, an economist from Cambridge.

(4) A standing Advisory Committee on the Employment of Older Men and Women appointed by the Minister of Labor and National Service in February, 1952, and having as its Chairman the Parliamentary Secretary to the Ministry of Labor and National Service, Mr. H. Watkinson. This Committee has made a First Report (Cmd. 8963) and is continuing its inquiries.

Main Differences Between Britain And U. S. A. in Social Security

While the social security systems of Britain and the United States embody the same general aim and employ the same method of compulsory insurance, there are important differences between them in scope, that is to say, in respect of the risks covered, in respect of benefit rates, in the source of the funds from which benefits are provided, and in financial methods.

(1) **In Respect of the Risks Covered:** The United States has no government - organized provision by insurance for sickness, industrial accidents, or death, no childrens' allowances, or maternity benefits, or National Health Service. Franklin Roosevelt, as Miss Perkins says, thought and talked of insurance from "the cradle to the grave," but had to be content with getting old-age and survivors insurance and unemployment insurance.

This does not mean of course that no provision at all is made for other risks. For industrial ac-

Continued on page 22

*An address by Lord Beveridge at the Dinner Session of the National Industrial Conference Board's 38th Annual Meeting, New York City.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating earnings and condition statements of the major New York Banks for the period ending June 30, 1954 have been published during the past week.

In general, those banks that issued operating figures show results about in line with previous expectations. Net operating earnings in most cases are slightly below those of the first quarter yet as high as in the favorable second quarter of 1953. In a few instances comparisons with the first quarter and a year ago show a gain for the period.

For those institutions that have not, or do not, publish operating results, the indicated earnings, as computed by changes in book value and dividends make an even more favorable showing. In fact, the additions to undivided profits for the first half of this year in almost every instance were considerably higher than in the corresponding period of 1953.

The primary reason for the favorable showing with respect to total profits is that the rise in the bond market over the past year has enabled the banks to establish substantial security profits. This is in sharp contrast to the experience in the first-half of 1953, when declining bond prices resulted in losses or only nominal profits.

For example in the first half of 1953, National City Bank had a nominal profit of $215,840, equal to $0.03 a share, from security transactions. In the first half of this year, however, security profits amounted to $4,257,604 equal to $0.57 a share.

Another illustration of the change in this respect is that provided by Guaranty Trust. In the first six months of 1953, Guaranty showed a loss from securities equal to $1,126,411 or about $0.20 a share. Figures for the second quarter of 1954 are not yet available but in the first period security profits amounted to $2,967,849 or about $0.59 a share. From the indicated results in the second quarter of 1954, when Guaranty had total profits $1.73 a share as against $1.03 a year ago, a further increase in security profits over those of the first period is suggested.

These figures are shown in the following tabulation of quarterly earnings of New York City banks. Where institutions have published operating figures, earnings are shown on that basis. Otherwise, the indicated earnings have been computed from the changes in book values after allowing for dividends declared.

	First Quarter		Second Quarter		First Half	
	1954	1953	1954	1953	1954	1953
Bank of Manhattan	*$0.65	*$0.62	*$0.66	*$0.66	*$1.31	*$1.28
Bank of New York	8.01	7.04	7.74	7.46	15.75	14.50
Bankers Trust	*1.44	*0.72	*1.25	*0.63	*2.69	*1.35
Chemical Bank	1.04	0.98	0.95	0.96	1.99	1.94
Corn Exchange	*1.40	*1.27	*1.33	*1.29	*2.73	*2.56
First National	*5.69	*5.40	*6.82	*6.23	*12.51	*11.63
Guaranty Trust	*1.55	*0.98	*1.73	*1.03	*3.28	*2.01
Hanover Bank	*1.37	*1.26	*1.37	*1.26	*2.74	*2.52
Irving Trust	0.41	0.39	0.44	0.42	0.85	0.81
Manufacturers Trust	1.42	1.37	1.42	1.44	2.84	2.81
Morgan, J. P.	*6.57	*3.96	*4.42	*4.08	*10.99	*8.04
National City	1.12	1.03	1.09	1.01	2.21	2.04
New York Trust	2.23	2.14	2.23	2.22	4.46	4.36
Public National	0.84	0.81	0.87	0.90	1.71	1.71
U. S. Trust	*4.87	*5.23	*3.92	*5.28	*8.79	*10.51

*Indicated earnings.

Comparison between the two years shows a significant change in the composition of assets and liabilities of most of the New York banks. In general, loans were lower reflecting the liquidation of credit so far in 1954 in sympathy with the decline in business activity. A year ago business was being maintained and loans were steady in the first half.

Deposits have shown a better trend at New York banks in the past year and in most instances the totals show a sizeable gain from June 30, 1953. These funds, together with released reserves have been used to purchase U. S. Government securities. Also, most institutions increased their holdings of municipal and state bonds.

In the coming week additional banks will make available their operating figures. This should make possible a more careful analysis of operating results for the period. Based upon indications so far, however, there is much for stockholders to be encouraged about.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

William M. Ellis, Harry F. Jonsson, John C. Matthews and Thomas W. McMahon, Jr., have been promoted to Second Vice-Presidents of the **Chase National Bank, New York**, John J. McCloy, Chairman, announced.

At the same time the following were newly-appointed as Assistant Cashiers: Walter V. Fleming, Byron S. Pardee, Albert J. Remmert, George E. Stock and Cornelius Van Putten. Roger A. Lyon was appointed an Investment Officer, and Hans J. Stresemann was appointed to the official staff as consultant for German and Austrian affairs.

CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	5,678,726,511	5,54[illegible],140,239
Deposits	5,174,415,072	5,048,692,486
Cash and due from banks	1,372,624,418	1,496,851,878
U. S. Govt. security holdgs.	1,267,914,789	952,080,766
Loans & discts.	2,282,637,187	2,294,239,737
Undiv'd profits	60,299,300	56,164,844

* * *

Guaranty Trust Company of New York has announced the appointment of John D. Rippe as Second Vice-President, Martin F. Shea, Jr., as Assistant Trust Officer, both at the main office, and of Stanley R. Millard as Assistant Treasurer at the Rockefeller Center office.

GUARANTY TRUST CO. OF NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	3,019,502,458	2,951,737,904
Deposits	2,559,449,965	2,503,133,745
Cash and due from banks	628,929,978	737,011,202
U. S. Govt. security holdgs.	985,818,550	683,749,521
Loans & discts.	1,208,416,901	1,333,660,185
Undiv'd profits	99,768,418	94,868,600

* * *

Dunham B. Sherer, Chairman of the Board of **Corn Exchange Bank Trust Company, New York**, has announced the promotion to Vice-President of George W. Bunce, 42nd Street branch and Hamilton M. Love, Brooklyn branch. Both had formerly been Assistant Vice-Presidents.

Albert F. Lockwood and Alfred W. Brown were appointed Assistant Vice-Presidents. They will be assigned to administrative duties in the personal loan department.

CORN EXCHANGE BANK TRUST CO., NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	832,295,902	801,742,018
Deposits	774,796,287	745,557,276
Cash and due from banks	215,783,577	216,330,229
U. S. Govt. security holdings	345,673,73[illegible]	340,558,680
Loans & discounts	213,419,253	1[illegible]2,939,755
Undivided profits	7,315,472	6,880,541

* * *

The promotion of H. Carlton White to Assistant Vice-President, and election of C. R. Beddows, Jr. and Edward J. Hornick as Assistant Treasurers, was announced by S. Sloan Colt, **President of Bankers Trust, New York**, on July 5.

Mr. White began his banking career with **Marine Trust Company of Buffalo, New York**, and joined Bankers Trust's credit department in 1944.

Mr. Beddows has been with the bank since 1946.

Mr. Hornick, who was with **Title Guarantee and Trust Company, New York**, for 30 years, joined Bankers Trust in 1950.

BANKERS TRUST COMPANY, NEW YORK

	June 30, '54 $	Dec. 31, '53 $
Total resources	2,125,702,051	2,133,918,389
Deposits	1,900,136,175	1,907,575,991
Cash and due from banks	528,047,780	532,301,787
U. S. Govt. security holdgs.	506,133,561	505,189,925
Loans & discts.	962,005,2[illegible]1	987,808,043
Undiv'd profits	49,118,474	44,253,261

Central Savings Bank, in the City of New York, celebrated the 95th anniversary of its founding on July 1.

In commenting on the occasion Mr. James T. Lee, President of the bank, said: "When the bank opened its doors on July 1, 1859, total desposits were $7,670.68 as compared with $369,235,000.00 at the present time. In 95 years the number of depositors has grown from 44 to 167,413. Since its opening in 1859, the bank has paid dividends without interruption in excess of $251,000,000."

For the quarter ending June 30, 1954—the trustees of Central Savings have declared an extra dividend of ¼ of 1% per annum in addition to a regular dividend of 2½% per annum.

Central Savings Bank has two offices in Manhattan—one at 73rd Street and Broadway and another at 14th Street and 4th Avenue.

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The Fiduciary Trust Company of New York announced on July 1, the election of Carll Tucker, Jr. as a Director to succeed his father, who has resigned after serving on the Board of the trust company from its inception.

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THE NATIONAL CITY BANK OF NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	5,966,644,957	5,8[illegible]8,569,303
Deposits	5,455,443,656	5,326,864,855
Cash and due from banks	1,385,694,206	1,464,711,887
U. S. Govt. security holdgs.	1,602,710,324	1,370,412,757
Loans & discts.	2,202,228,486	2,263,264,271
Undiv'd profits	57,697,603	55,609,736

* * *

CITY BANK FARMERS TRUST CO., NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	140,576,328	144,156,396
Deposits	103,187,850	107,220,577
Cash and due from banks	29,781,630	34,404,578
U. S. Govt. security holdings	78,103,601	74,991,014
Loans & discounts	7,513,023	9,508,341
Undivided profits	12,439,461	12,020,336

* * *

MANUFACTURERS TRUST COMPANY, NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	2,972,109,427	2,827,499,202
Deposits	2,740,578,716	2,506,516,171
Cash and due from banks	863,752,463	812,458,501
U. S. Govt. security holdgs.	906,679,448	818,864,060
Loans & discts.	862,093,128	857,058,974
Undiv'd profits	33,953,852	31,755,863

* * *

CHEMICAL BANK & TRUST COMPANY, NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	1,94[illegible],723,8[illegible]8	1,895,091,703
Deposits	1,747,677,896	1,704,392,314
Cash and due from banks	442,164,582	546,112,661
U. S. Govt. security holdgs.	489,127,006	426,903,671
Loans & discts.	715,644,009	712,713,153
Undiv'd profits	20,765,732	19,564,012

* * *

THE HANOVER BANK, NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	1,789,021,670	1,746,800,273
Deposits	1,613,905,504	1,563,940,323
Cash and due from banks	472,617,126	478,325,705
U. S. Govt. security holdgs.	592,825,042	543,372,951
Loans & discts.	657,645,185	638,680,984
Undiv'd profits	20,221,387	19,720,585

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IRVING TRUST COMPANY, NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	1,487,502,782	1,482,850,327
Deposits	1,336,144,931	1,333,207,921
Cash and due from banks	367,987,654	412,974,067
U. S. Govt. security holdgs.	397,464,310	377,004,444
Loans & discts.	607,800,691	578,367,298
Undiv'd profits	18,367,400	17,864,210

BANK OF THE MANHATTAN COMPANY, NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	1,446,959,174	1,479,939,919
Deposits	1,288,824,891	1,323,583,821
Cash and due from banks	390,188,724	429,901,357
U. S. Govt. security holdgs.	397,767,802	365,118,180
Loans & discts.	552,278,231	569,038,051
Undiv'd profits	18,541,908	17,896,881

* * *

J. P. MORGAN & COMPANY, INCORPORATED, NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	881,548,261	775,218,016
Deposits	796,267,534	688,154,905
Cash and due from banks	183,647,990	165,346,075
U. S. Govt. security holdings	263,184,597	217,957,979
Loans & discounts	318,482,422	299,659,975
Undivided profits	15,129,717	14,649,131

* * *

THE NEW YORK TRUST COMPANY, NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	780,441,720	781,839,412
Deposits	687,305,862	690,399,839
Cash and due from banks	195,249,218	217,694,718
U. S. Govt. security holdings	224,163,811	200,029,155
Loans & discounts	324,901,017	326,170,364
Undivided profits	15,528,862	14,937,577

* * *

FIRST NATIONAL BANK OF THE CITY OF NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	734,473,640	687,899,411
Deposits	582,875,445	517,255,530
Cash and due from banks	157,884,307	137,399,130
U. S. Govt. security holdings	1[illegible]4,791,658	179,747,825
Loans & discounts	236,935,137	235,119,136
Undivided profits	13,097,219	12,548,563

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THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	513,744,144	511,587,159
Deposits	458,403,219	456,549,777
Cash and due from banks	121,602,636	119,560,369
U. S. Govt. security holdings	78,725,404	82,212,919
Loans & discounts	273,540,960	263,625,024
Undivided profits	10,694,508	10,379,711

* * *

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	241,251,649	225,965,244
Deposits	206,190,049	194,948,523
Cash and due from banks	49,936,647	52,927,654
U. S. Govt. security holdings	60,029,443	57,618,254
Loans & discounts	54,574,330	44,812,160
Capital & surplus	14,365,284	14,345,284

THE MARINE MIDLAND TRUST CO. OF NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	452,127,740	461,259,136
Deposits	409,667,951	421,792,312
Cash and due from banks	138,912,455	146,621,646
U. S. Govt. security holdings	101,515,156	104,502,910
Loans & discounts	200,952,130	196,776,121
Undivided profits	6,880,560	6,592,913

* * *

THE STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	136,379,754	136,067,294
Deposits	125,654,261	125,441,065
Cash and due from banks	31,979,748	33,847,965
U. S. Govt. security holdings	42,029,542	44,743,475
Loans & discounts	53,554,567	50,921,454
Undivided profits	1,475,001	1,441,733

* * *

GRACE NATIONAL BANK OF NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	134,567,645	125,749,087
Deposits	116,844,445	106,323,380
Cash and due from banks	35,120,161	33,761,982
U. S. Govt. security holdings	42,344,101	38,294,295
Loans & discounts	44,602,290	42,175,786
Undivided profits	1,250,466	1,116,110

* * *

J. HENRY SCHRODER BANKING CORP., NEW YORK

	June 30, '54 $	Mar. 31, '54 $
Total resources	117,432,260	102,028,980
Deposits	83,041,980	70,479,118
Cash and due from banks	12,096,388	10,827,463
U. S. Govt security holdings	54,852,715	42,865,932
Loans & discounts	21,764,725	21,594,435
Undivided profits	2,655,133	2,554,627

* * *

SCHODER TRUST COMPANY, NEW YORK

	June 30, '54	Mar. 31, '54
Total resources	$86,340,967	$77,346,316
Deposits	79,665,068	70,884,856
Cash and due from banks	14,095,725	15,049,562
U. S. Govt. security holdings	61,190,484	51,505,122
Loans & discounts	10,044,426	9,745,067
Undivided profits	1,653,241	1,502,782

* * *

CLINTON TRUST COMPANY, NEW YORK

	June 30, '54	Mar. 31, '54
Total resources	$33,172,414	$33,152,840
Deposits	30,739,570	30,761,801
Cash and due from banks	9,319,903	8,336,242
U. S. Govt. security holdings	12,195,763	13,572,917
Loans & discounts	9,220,946	8,661,648
Surplus and undivided profits	1,138,746	1,121,017

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	June 30, '54	Dec. 31, '53
Total resources	$62,991,077	$54,594,822
Deposits	53,323,840	45,006,401
Cash and due from banks	11,061,806	7,780,108
U. S. Govt. security holdings	14,677,288	14,252,716
Loans & discounts	11,542,607	10,863,938
Undivided profits	1,024,031	967,024

* * *

The Dime Savings Bank of Brooklyn, New York, on July 1 informally observed "The Dime's" 95th birthday by looking back to 1859 and marking milestones in the bank's growth through those 95 years.

A dividend disbursement brought to $252,154,000 the total of dividends paid to depositors since July 1, 1859, according to figures made public by George C. Johnson, President of the institution. In that same 95-pear period, the number of depositors has increased 300-fold, while the $646,000,000 now on deposit is more than 10,000 times greater than on July 1, 1859.

Throughout its 95 years, the bank has never paid less than 2% in dividends, and, except for a 16-year period when dividend payments were restricted to 2% by state law, the bank has never paid less than 2½%. The present disbursement was at that rate, plus an extra dividend at the rate of ¼of 1% a year.

In looking back-over the bank's 95-year history today, Mr. Johnson, who has been with the bank for 36 years or more than one-third of its existence, recalled that he is the tenth President, having served in that capacity since Oct. 25, 1946 when he succeeded the late Philip A. Benson.

In its 95 years, the bank has occupied quarters at five different locations, four of them in the Borough Hall section of Brooklyn until 1908 when the present site at Fulton Street and DeKalb Avenue, in Albee Square was acquired.

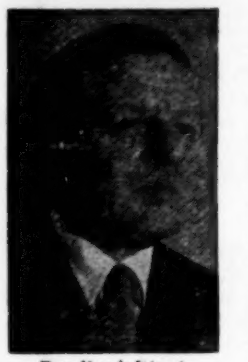
The bank's original office was a small room in what in 1859 was a portion of the ground floor in

Continued on page 25

Revival of London Stock Exchange Boom

By PAUL EINZIG

Dr. Einzig, calling attention to a revival of the London Stock Exchange boom following a period of pessimism engendered by the Geneva Conference, foresees lowering of interest rates in England in the not too distant future. Says there is evidence that creeping inflation has been resumed in Britain, and manufacturers look for both rising prices and profits.



Dr. Paul Einzig

LONDON, Eng. — Following on the setback suffered as a result of a bout of pessimism about the Geneva Conference towards the middle of June, the London Stock Exchange resumed its earlier rising trend during the fourth week of June. Both equities and Government loans reached new high levels for the year. This improvement was due to the combined effect of several factors. The immediate cause was the latest progress towards cheap money. Growing optimism about business prospects in the United States also contributed towards the better trend, and so did the revival of guarded optimism about the international political outlook. Last but by no means least, indications that "creeping inflation" is making progress in Britain played a part in giving rise to anticipations of rising prices and profits.

The decision of the United States authorities to lower reserve requirements and thereby to widen margins of credit supplies created a very favorable impression on this side of the Atlantic. Even though it is realized that the decision is not likely to make much immediate difference to the American credit position, the gesture gave rise to hopes that progress towards cheap money in the United States would enable Britain to lower interest rates without running the risk of losing gold through withdrawals of funds from London. Indeed the American decision gave rise to widespread anticipations of an early reduction of the London Bank rate from 3 to 2½%. This largely accounts for the firmness of Government loans.

There can be little doubt that the Government intends to lower interest rates in the not too distant future. Apart from any other reasons, it is inconceivable that Mr. Butler would risk a return to convertibility so long as the Bank rate is at 3%. For, once sterling has become convertible, the possibility of having to raise the Bank rate in order to resist speculative attacks on sterling will have to be envisaged. If the initial rate is as high as 3% the defense of sterling may entail an increase to 4%. This would be detrimental to trade and would gravely damage Conservative prospects at the next general election. Possibly the American decision may provide Mr. Butler with an opportunity to take a further step towards the liquidation of the dear money policy he was compelled to adopt in 1951.

The American decision was welcomed not only because it gave rise to hopes of cheaper money over here but also because it improved American business prospects. It went a long way towards allaying fears that anti-recession measures by the United States authorities may prove to be "too late and too little." In any case the general feeling in London regarding American business prospects has become much less pessimistic during the last month or two. The fears of a grave slump have gradually receded. Indeed the fact that it has so far been possible to avoid a major recession gave rise to hopes that, after all, it may prove to be possible to manage a Capitalist economy without periodic slumps.

If the Geneva Conference had broken down the prospects of an immediate aggravation of the internatioinal political position would have caused a slump on the Stock Exchange. At the other extreme, if the Conference had concluded with a far-reaching agreement, foreshadowing disarmament or at any rate a limitation of armaments, this too would have caused a slump. But the state of negotiations at the time of writing is such as to indicate some degree of relaxation of the political tension without foreshadowing any appreciable difference to armament programs. For this reason the Stock Exchange takes a favorable view. It is also assumed that Sir Winston Churchill's Washington visit is likely to improve Anglo-American relations and will thus be beneficial from the point of view of peace prospects.

The recent expansion of bank advances and the note circulation in Britain are regarded as an indication, even in the absence of any noteworthy rise in prices, that creeping inflation has resumed its course. It is true, the increase in the volume of money may be justifiable in part by the improvement of business conditions, especially by the increase of the output. The all-round rise in wages during the last 12 months caused an appreciable increase of requirements for bank advances and for notes. But the fact remains that the inflationary spiral continues its upward course. From this point of view it makes but little difference in the long run whether the expansion of currency and credit was the cause or the effect of the rise in wages. What matters is that wages, costs of production, prices, the cost of living, and the volume of money continue to chase each other in a rising vicious spiral.

Deplorable as this may be from the point of view of sound economy it is certainly a bull point from the point of view of the Stock Exchange. In 1952 British business had a dose of "sound finance" and did not particularly like it. Indeed many businessmen, though staunch Conservatives in their politics, were inclined to feel nostalgic about the "good old days" of Daltonian inflation. There can of course be no question of returning to those conditions under a Conservative Government. It is difficult to visualize Mr. Butler emulating his Socialist predecessor by authorizing all and sundry expenditure "with a song in his heart" as Dr. Dalton did on his own admission in 1945-47. But the fact that creeping inflation, however moderate, has been allowed to resume its course, has reassured these businessmen that Mr. Butler's monetary policy is by no means as austere as it appeared to be in 1952.

There is evidently more money available for consumers to spend, and as a result producers are more inclined to invest in the expansion of their factories. Prospects of good markets and rising prices will greatly facilitate the issue of new equity capital which is expected to be offered in large numbers during the next year or two.

The horizon is of course far from being free of clouds. International political conditions are liable to deteriorate at any moment. Any improvement of the prospects of Socialists to return to power after the next general election might also cause a setback on the Stock Exchange. So would a deterioration of the gold position, calling for restrictions of credit, imports or capital expenditure. If, contrary to expectations, Mr. Butler should allow himself to be persuaded to resume convertibility prematurely, fears of higher Bank rate in defense of sterling might produce a similar effect. At the moment, however, the Stock Exchange is not worried about such possibilities. There is a hopeful atmosphere. The anticipation of a Bank rate reduction is in itself capable of ensuring a prolonged rising trend in the absence of unfavorable developments.

Scott C. Babey Joins Shaver & Co.

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Scott C. Babey has become associated with Shaver & Co., Florida Theater Building. Mr. Babey has recently been active as an individual dealer in Mt. Dora, Fla. Prior thereto he was in the investment business in Cincinnati, Ohio, for many years.

With E. D. Baring-Gould

(Special to The Financial Chronicle)

SANTA BARBARA, Cal.—Edward H. Peirce has been added to the staff of E. D. Baring-Gould Company, 19 East Canon Perdido Street. He was formerly with Paine, Webber, Jackson & Curtis.

With Shearson, Hammill

(Special to The Financial Chronicle)

HARTFORD, Conn.—Mrs. Arline Hendey and R. Winthrop Nelson have joined the staff of Shearson, Hammill & Co., 9 Lewis Street. Both were formerly with Paine, Webber, Jackson & Curtis.

Anderson Cook Adds

(Special to The Financial Chronicle)

PALM BEACH, Fla.—James H. Reardon, Jr. is now with Anderson Cook Company, Inc., 308 South County Road.

Milton Powell Adds

(Special to The Financial Chronicle)

PASADENA, Calif.—Frederic T. Livermore, Jr. is now connected with Milton C. Powell Co., Security Building.

With Harris, Upham Co.

CHAPEL HILL, N. C.—Carl M. Smith is now connected with Harris, Upham & Co.

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A Labor Program for Full Employment

precipitated our current wide-spread unemployment, and whether they contain the roots of their own correction. After consideration of these factors, we will conclude that it is not likely that there will be such adjustments without substantial governmental aid and stimulation.

(1) **Inventories:** A factor given considerable prominence has been the contention that we are living through an inventory adjustment. Considerable plausibility was given this argument, since business went through an inventory boom at the beginning of 1953. Since then it has declined, so that after a building-up rate of $3 billion in the third quarter, inventories actually were shaved at a rate of $3 billion in the fourth quarter, and $4.8 billion in the first quarter of 1954. In the second quarter it is probable that inventories have remained about on par, with no significant net movements. However, there are areas where inventories are still too high and other places where they are down to current-use level. In May, the National Association of Purchasing Agents reported that one-third of the firms are still paring their inventories. Seasonal buying is likely to drain inventories below workable levels in few areas, but these are offset by significant inventories in others.

At the end of April 1954, the overall business economy showed $1.67 of inventory for each dollar of sales. It was only two cents below September 1953 and three cents below November 1953 or February 1954. Inventories in manufacturing are at the level of $1.86 per dollar of sales, equal to September 1953, but below February 1953 when it was $1.95. Wholesale inventories per dollar of sales have been relatively stable at $1.29 per dollar of sales since September 1953. Significantly, the inventories at the retail level have dropped only conservatively, from $1.64 per dollar of sales in September 1953 to $1.59 in April 1954; this was representative primarily of the drop in inventories of durable goods from $2.24 inventory per dollar of sales in September 1953 to $2.11 in April 1954. Non-durable goods inventories per dollar of sales has been stable at about $1.31.

Inventories are not light. Nor do inventory shortages promise to provide the corrective. As a matter of fact, inventories of automobiles are very heavy for this time of the year. Only a significant upsurge in buying will change the picture.

(2) **Consumer Credit:** Another factor which has been blamed has been the contraction in consumer credit. It is true that the excessive splurge has brought us face-to-face with the fact that over-extended personal debt leads to contraction. In 1953, consumer credit rose by $3.1 billion. In the first quarter of 1954, the drop was $380 million or at the rate of $1.5 billion. In April it rose slightly, by $200,000, primarily in charge accounts which do not represent the lower income groups. This is primarily middle-class buying. Instalment credit continues to decline. Repayments and reclamations on delinquencies continued to loom large. But the low rate of liquidation in view of shrinking national income has not opened up a real reservoir of potential debts.

With the large mortgage debt hanging over the American people and the continued high volume of consumer debt, the liquidation of consumer credit has not taken place at a rate which insures a corrective.

(3) **Defense and Governmental Expenditures:** A markedly important deflator has been the reduction in governmental defense expenditures. During the first quarter they were down to $47 billion, a reduction from $53.5 billion in the second quarter of 1953 and $50 billion in the fourth quarter. It is probable that the second quarter of 1954 will show a further decline to the level of $45 billion, and that, in the next fiscal year, it will continue at this same amount. We can, therefore, only continue to expect the present level of defense expenditures.

Federal non-military expenditures, have been dropping and will continue to decline, but state government expenditures have been rising at times in sufficient volume to offset the drop in Federal Government non-military expenditures.

We cannot look forward to any sharp reversal on expenditures in this area unless there are major changes in national policy.

(4) **Prices:** Wholesale and consumer prices have remained relatively stable with wholesale prices rising slightly and consumer prices tapering off. A resurgence in buying power from a reduction in prices is not visible. Individual sales have shown buyers eager for bargains and lower prices. But the American business community is not ready for so radical a step as general price cuts. Despite its talk about competition, it is not competing on a price basis. Management offers alternative price lines without reducing its price margins. Even the automobile industry continues to maintain its prices, despite strong pressure from its distributors. The iron and steel industry, operating most profitably at a 67% level, with a break-even point below 50% of operations, talks of raising prices to compensate it for contemplated wage increases.

American management, which has enjoyed a tremendous largess in the form of the cancellation of excess profits taxes has not passed this on to the American people. Even with respect to the reduction in exercise taxes, there are many illustrations of prices being maintained to permit the sellers rather than the buyers to capture these benefits.

Our price structure has not reflected the rising productivity which has reduced costs of manufacture. They have increased management's ability to maintain highly profitable operations even at the lower levels of output.

This program of continued price rigidity, of course, spells further discouragement to our capacity for opening up new vast pockets of buying power through lower prices.

(5) **Expenditures on New Plants and Equipment:** Much of the faith of the present administration in our economic future is dependent upon continued large expenditures on new construction and new plants and equipment. Truly, the present economic system could be kept at very high levels through industrial and production expansion. Essentially, this program can rest on either one of two factors: (1) the development of new, alternative products or more economical methods of production; or (2) expanding consumer demand. The latter is not likely to be a vital force unless we maintain an expanding, full employment economy and invent new forms of consumer debt. In the words of the "Wall Street Journal," we have built up an "industrial capacity . . . to cover not only (normal peacetime musts) but also accumulated shortages, the needs of a war and the very large requirements of a rapid industrial expansion program. . . . The nation's productive system . . . (has) ample room for the satisfaction of desires as well as needs." New products and methods must therefore be the primary determinant of the volume of new plant and equipment.

It is difficult to project the probable volume of new products and methods, but there are many indications that it is not currently of such magnitude as to make up for the decline in military expenditures or governmentally-financed private expenditures. The "Journal of Commerce" for June 11, 1954 reports that the "short-range or intermediate term business picture is guiding manufacturers in new plant and equipment investments to a greater extent than at any time since World War II." It reports that some manufacturers ". . . have cut sharply on investments because they lack working capital and no longer can finance investments out of earnings." Moreover, the article adds that ". . . mergers forced by competitive conditions are resulting in the release of surplus plants in some cities (which) is contributing to the slowing-down of new plant construction. . . . On balance, sales of machinery are making a better showing than construction of plants."

These conclusions are in part reflected in the estimates of projected capital outlay released by the SEC and the Department of Commerce which indicate a probable decline in expenditures through the rest of 1954. The drop is occurring in every area except commercial and office buildings. Expansion in the latter fields is continuing primarily because of the more recent suspension of emergency controls and the opening of new communities and suburban areas.

The government is counting on the stimulation expected from the new provisions for accelerated depreciation in the proposed tax law. While it will no doubt have some such effect in marginal cases, the end result will be quite modest in face of the contraction in civilian demand. The damage done by the shift in the burden of taxation and by the creation of more inequalities will far exceed the advantages from economic stimulation.

Only a large-scale program of atomic power development could have the multiplier effects for which the Administration is looking. Moreover, the concurrent rise in man-hour productivity through the scrapping of older equipment and buildings and through more efficient machinery and operations probably mean lower employment in existing industries. This is the basis for the distress in the textile industry and divisions of the electrical manufacturing, and is the general threat which confronts us. The larger capital investment in machinery will compound our difficulties if the volume of capital and consumer expenditures does not compensate for the decline in Federal expenditures.

(6) **Housing Construction:** Residential housing construction has helped maintain our current level of economic activity. Last year's levels are being matched. It is substantially accounted for by the availability of new funds brought about by the granting of mortgages to veterans for 30 years with no down payments. Interest rates, which had been rising, have returned to the former levels following the easier money policy instituted by the Federal Reserve Bank system. However, there is little likelihood of any marked rise in volume from this source, even with the possible approval of the modest 35,000 per year program of public housing. We shall be happy under present circumstances to maintain the existing volume of new housing.

(7) **Wage Increases:** A real potential corrective factor is wage increases. This action could stimulate considerable new buying power. However, the volume of immediate buying power will be limited in that the sums being considered are in the range of 5 to 10 cents per hour. In addition, some part of the gains are in forms which do not create immediate buying power, such as pensions; funds of a guaranteed annual wage or reserves for benefit funds. Finally, large numbers of workers will receive smaller sums, and others none at all. Concurrently, there are other areas where the workers are being compelled to take wage reductions or limitations on benefits or other types of reductions in income. These are located primarily in the low-wage industries and marginal plants.

In the meantime technological improvements are curtailing employment and reducing the number of persons benefiting from the wage increases. Wage increases are significant stimulants, but are currently not large or widespread enough to turn the tide in and by themselves.

(8) **Current Governmental Action:** With the exception of the influence of wage increases, state and local expenditures and capital improvements, we cannot rely upon the above factors to offset the large reductions in governmental expenditures so as to correct the present condition of widespread unemployment. Rather, we might well conclude that many of the above factors have not run their downward course, while others, like technological change, carry the causes of further reductions in employment.

The economy now enjoys the benefits of some corrective devices which moderate the impact of unemployment and therefore serve as stabilizers. However, they are not stimulants of expansion. The unemployment insurance program provides a fall-back for many workers, but the benefits tend to be small and run out quickly. Assistance to the needy is even more limited. Old age benefits have been increased and the present Congressional action may expand them still further. But offsetting the former has been the marked rise in contributions, estimated at $¾ billion, and largely paid by lower income groups and the latter will also be accompanied by a higher volume of taxes. These payments are necessary brakes on contraction, but not activators of new industry.

Income tax reductions at the beginning of the year benefited many, but the lowest income group had it offset by the higher social security contributions. The new tax program is aimed at helping the higher income groups again.

(9) **Personal Income:** Personal income has been declining steadily in the current recessions. From July, 1953, through April, 1954, income has dropped at an annual rate of $5.3 billion despite the rise in population. The primary cause has been the reduction in wage and salary income. Farm proprietor income has been only slightly lower as it has been propped up by large governmental purchases. Dividend and interest payments have been rising. The continued

large scale unemployment will deter any increase in this critical sector of the economy.

Much comment has been directed to the large volume of retail sales. These have been sustained only slightly below the previous year's level but our population has risen so that per capita sales have actually declined. The critical fact is that May sales were considerably below April and the June reports are not reassuring. The impending summer slump months are going to remove even more of the bloom from the above reports.

Government Action Helped Maintain Current Economic Stability

A review of the individual sectors of our economy indicates that there are few sources within it that can provide us with any real resources for spontaneous corrective factors to restore a state of full employment. The reliance on private action rests on a belief among some people that there is an untapped fount of new products or processes which will stimulate investment. We have already commented upon this view and have concluded that they do not provide us with a safe ground for a confidence in economic resurgence and in all probability will be inadequate. Others trust in consumer buying. They overlook the fact that shrinking income induces more cautious buying. The consumer is already overladen with mortgages and short-term debt. His savings are not in liquid condition and it is unevenly distributed so that the lower and middle income groups have a relatively small proportion.

Those who disapprove of governmental action must, of course, recognize that the present high economic level is being sustained by governmental economic programs, aids, subsidies and incentives. The large governmental expenditures on national security as well as Federal and local governmental expenditures are major props for our current economy. Similarly we must add deposit guarantees. There are also mortgage guarantees which are stimulating residential housing construction. Accelerated depreciation benefits have helped initiate many current projects for industrial building and machinery expansion or replacement. Similarly tax exemptions and benefits have favored other industrial projects.

Unemployment, and old age security benefits and financial assistance programs are contributing substantially to maintenance of the incomes of millions of persons and families.

The major conclusion flowing from the above analysis is that the present private and public programs have been able to stabilize our economy but are hardly sufficient to induce the measure of recovery necessary to insure a rise in production and demand necessary for the full employment of the 4,900,000 unemployed.

These conclusions are corroborated by the results of a survey by Dun and Bradstreet reported in "Dun's Review and Modern Industry" for June 1954. It found that business on the whole expected a rise in net rates and profits whereas they predominantly expected no increase in employment, which in view of the rising population suggests a rising number of unemployed. Optimistic expectations for the third quarter of 1954 as compared with the third quarter of 1953 were held by 46% as to net sales, 38% as to net profits and 40% as to manufacturers' orders. As for selling prices the general outlook (74%) was for no change. Inventories would probably be leveled out. Eleven percent expected increases in employment and a like proportion reported probable reductions and 78% expected no change. ("Dun's Review and Modern Industry," June , 1954, p. 68.)

A Program for Full Employment

We are herewith outlining a series of steps necessary to be undertaken by the Federal Government in order to realize the goal of underwriting an era of full employment with a rising standard of living for the people of this country.

(A) **Programs Necessary to Stimulate Greater Purchasing Power.**

(1) Increase the minimum wage from 75 cents to $1.25 and extend its coverage.

(2) Liberalize the Federal old age security system.

(3) Adopt Federal minimum standard for unemployment insurance benefits requiring benefits equal to 50% of the state average weekly wage for 39 weeks.

(4) Increase the personal exemption under the Federal income tax law from $600 to $800.

(5) Repeal of the Taft-Hartley Act to support the extension of unionism and collective bargaining in areas not now organized.

(B) **Programs Necessary to Stimulate Capital Investment.**

(1) Expand Federal, state and local public works programs for schools, roads, hospitals, water and sewer systems, river valleys and similar public functions.

(2) Increase local resource study and development.

(3) Promote basic research and development of atomic power experiments and application.

(4) Financial and managerial aid to small business to encourage new enterprise.

(5) Expand foreign aid programs to undeveloped nations in need of capital.

(6) Institute a more extensive public housing program.

(C) **Programs Necessary to Reduce Excessive Prices.**

Institute a system of public review of consumer complaints against excessive prices by a Federal trade agency to determine the levels on which specific prices may be properly reduced.

The adoption of the above programs is rightfully the responsibility of the Federal Government. For it to discharge its full obligations for the maintenance of maximum employment, it should not only determine the magnitude of the deficiency in jobs, but prescribe the desirable areas for promotion of activity and purchasing power. The above programs provide the framework for specific action whereby buying power may be stimulated either through higher inome or lower prices, or both, and the promotion of new jobs through new capital developments undertaken by both private and public ventures.

Joins Freehling, Meyerhoff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Stanley M. Freehling is now affiliated with Freehling, Meyerhoff & Co., 120 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with First National Bank of Chicago.

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Is There a Leveling Off Or an Upward Swing?

wholesale prices have softened a bit. A statistical gain of about 3% may not mean much one way or the other, but it is surely not a recession symptom. Personal incomes at the annual rate of $283 billion in the first quarter of this year are $15 billion, or 5% ahead of the 1952 record figure. We have been so "spoiled," however, that a decline of less than 1% behind the still bigger record of 1953 induces "recession" talk—and frantic calls for governmental rescue action.

Believers in Free Enterprise should recognize the salutary effects of a mild readjustment, coming as it does after a protracted and hectic prosperity wave. It hurts, of course, when the buyer's market replaces the seller's market. But that is exactly what is needed in order to reinvigorate the competitive spirit, to eliminate monopolistic outcroppings, high costs, and speculative excesses, particularly in inventories and consumer credit. The social cost of such readjustment is far from excessive. At 3.5 millions, the number of unemployed amounts to less than 6% of the active labor force, which indicates a return to a normal labor market rather than toward a snowballing depression. In 1946-47, for comparison, in the midst of **Full Employment** and with a population 16 millions smaller than at present, unemployment was officially estimiated at 3½% to 4%. (That was, in the words of Mr. Truman, "another year of bountiful prosperity.")

Labor Unions

A cyclical setback often is a boon in disguise. The current one may be a contributing factor to industrial peace, relatively speaking. Layoffs and short work weeks take the edge off of the fighting spirit of national unions.

These days, major strikes are national in scope. They are directed against an entire industry, thereby against the consuming public itself. They can scarely be sustained without public support, such as the seizure of the strike-bound plants. Such a benevolent attitude can scarcely be expected from the present regime in Washington. (The case of the Pittsburgh transit strike should serve as a warning.) The lack of political support is surely discouraging to a labor group in charge of nationwide collective bargaining. Such considerations are further strengthened by the prospect that serious industrial strife might help those Republican candidates for Congress who advocate the strict enforcement and tightening of the Taft-Hartley Act—the last thing the unions want to promote.

Their fighting mood is dampened also for an intrinsic reason. Indications are that between the steel workers' David McDonald, the teamsters' Dave Beck, and the miners' John L. Lewis, plans are being considered which may amount to a revamping of the labor movement. A new federation could be the outcome that would shake off the "stagnation" under which the AFL labors as well as the radicalism wihch permeates much of the CIO. While an organizational crisis is brewing, the unions are inclined to avoid rather than to precipitate prolonged showdowns.

Yet, big strikes may occur, if only regional in scope. The West Coast lumber conflict is an example. A nationwide showdown is possible, as in the telephone industry, provided it does not interfere with vital economic functions. And the unions are not omnipotent, as shown by the readiness of some coal miners' groups to defy John L. Lewis by wildcat strikes. On the whole, labor's progress will be marked this year by moderate wage and fringe benefit "packages." The 5 cents per hour offered by U. S. Steel has set a pattern, by no means to be followed in all industries.

Construction Boom

Perhaps the most encouraging single element of strength in the current picture is the surprisingly large volume of new construction. For the first five months, it was 2% above the high level of the same period last year. Note that this fresh expansion took place in the private sector of the economy ($9,170 million vs. $8,900 million), while public construction actually declined by 1%, from $13,250 million to $13,030 million. And the total may rise further in the following months. Residential building permits are well ahead of any previous year with the exception of 1950. Ascendency of state and municipal construction is foreshadowed by the huge volume of local bond issues. A decline, if any, in the construction for manufacturing and for military purposes would be moderate and easily offset by growing expenditures on urban dwellings, roads, utilities, hospitals, educational establishments, etc. (But in May, contra-seasonally, housing-starts "slipped" below April.)

A near-record run of construction in the midst of a 10% decline of industrial production, also of an 8% decline of freight carloadings, and in the face of a setback of retail sales—is unusual, indeed. It goes to show that the business cycle, like history, never repeats itself exactly. Building is not the only area of economic activity in full bloom. Many minor industries, from carbon black and dynamite to air-conditioning, aircraft and guided missiles, are zooming, too. Commercial airlines and businesses catering to the tourist trade have little to complain about. Significant is the sustained high operating ratio to plant capacity in the paper industry, which usually is a good indicator of the trend.

All of which has helped to bolster optimism: that the recession, by whatever name it goes, has reached the bottom and is saucering out. The suggestion follows, triumphantly announced or at least implied, that a new super-boom is underway.

Is the Setback—Set Back?

This is jumping to hasty conclusions. The improvements since March could very well be of a seasonal nature. The substantial upturn of exports in April, and to lesser extent also of imports, merely corrected their previous low. But a genuine advance of foreign trade may be expected if Europe's slow progress toward currency convertibility continues. Liquidation of inventories at the annual rate of $5 billion—against an increase at the annual rate of $6 billion in first half of last year—does not prove that they have been adjusted to sales. In many industries, the inventory-to-sales ratio has actually risen.

At the latest count, retail sales still were running about 3% below the corresponding period of 1953, although appreciably improved against earlier months of this year (and picking up lately). Apparel stores and the automotive group are probably worst off, while grocery stores are doing an ever-growing volume.

As yet, there is no reason to assume that business will wind up the year in a shape greatly different from the current indications: somewhat below the previous peaks of production, sales, profits, etc. Typical is the steel industry; it is making reasonable profits in spite of the fact that production figures fluctuate around 70% of capacity. This is about as it was in the last (1948-49) recession; but it is worth recalling that in the meantime steel capacity has been expanded by 32 million tons.

The belated upturn of automobile sales is too mild to prove more than seasonal improvement. Another symptom of the "recovery's" slowness is the fact that at mid-June, commercial and industrial loans were still $1.8 billion behind their volume at the year end, against a mere $660 million lag at the corresponding date a year ago.

Prices—No Clue

This is the kind of situation which embarrasses the prognosticators—so far as the outlook for the next six months or so is concerned. Its inherent instability is illustrated by the behavior of basic raw materials. Construction lumber prospers in the building boom; yet "shop lumber" (used for doors and windows) is selling below list prices, probably because of excessive inventories in the manufacturers' hands. Commodities in short supply, like coffee, cocoa, tea, mercury, command high prices out of step with the rest of the markets. Otherwise, governmental support is largely responsible for reversing the down trend of staple prices since mid-1953. If base metal values "harden," it is primarily because of U. S. stockpiling. The mid-June break in the price of lead, due to the government's refusal to purchase more of it, illustrates the point, as does the more recent steadying of both lead and zinc when Washington authorities appear as buyers, if only of moderate quantities.

Most artificial is, of course, the basic farm price structure. It is likely to hold this year at or near current levels, though animal fats have been "skidding" more than seasonally. The huge crops in prospect will be heading under the protective umbrella of "loans" at rigid support prices, with storage space getting scarce. (Cotton is a great exception: with sales and exports rising, its surplus may be thoroughly reduced.) The extraordinary profits these fantastic hand-outs offered the farming communities reduce the purchasing power of the urban masses, not only by the high cost of food, fibers and tobacco, but also by adding billions of dollars to the tax load. The adjustment of labor costs to the consumer demand is therefore seriously impeded, as is the ability of business to overcome the deflationary forces which drag down sales—of durable and semi-durable consumer goods, in particular. **Farm price supports are a prime force prolonging the business setback.** The subsidies ultimately hurt the farmer himself by forcing him into the strait-jacket of acreage and planting controls.

Tax cuts provide no "off-set," their stimulating effect being off-set in turn by that of reduced Federal expenditures. Besides, as more people will have to pay Social Security levies, and at higher rates, and with municipal taxes raised, the **total tax burden** of the public will be relieved by a bare 2% or 3% only.

Back to Budgetary Inflation?

With some $270 billion in "liquid" funds on hand, personal savings growing at a near-record pace of over $1.6 billion per month, the money volume at an all-time (seasonal) high, and with ample credit available at managed Cheap Money rates — consumer spending may take a sudden upturn and the liquidation of business inventories may come to an abrupt end. But under the given circumstances, the "marginal" psychological factor is the Federal budget, its prospective balance or imbalance. Changes in that $70 billion establishment are likely to be the proverbial tail that wags the ups and downs of our $360 billion economy.

What matters is the military calculus. In the 11 months from July to May, it absorbed $41.5 billion against the previous year's $44.6 billion. It is to be reduced further, supposedly. (Admittedly, it still contains $2 billion of "fat.") The budget for the fiscal year ending June 30 shows a cash deficit of less than $1 billion, compared with $4.3 billion in fiscal 1953. Modest as this reduction is, it should not be deprecated. The compression of the inflation-sparkle by a mere $3½ billion goes a long way in explaining the current "recession." Whether and how much of a national deficit we shall have from here on, will depend on international developments.

The International Mess

If the failure of the Berlin and Geneva conferences should bring home at least to the Western Europeans that the Soviet leopard has not changed his spots, then the nine months of procrastinations and confabulations, while Viet Nam was going down the drain, may not have been entirely wasted. But there is scant prospect of such mental progress.

It was the pressure of the public opinion of Britain (and India) that forced the Churchill government into refraining from action and insisting on talks — to say nothing of double - talks. The Churchill-Eden visit to Eisenhower was to revive the Anglo-American cooperation that had been seriously impaired by Britain's blocking of American plans in Southeast Asia. Two questions, in particular, were to be resolved. First, what is to be done about Germany's rearmament, or rather, about France's inability to make up her mind. Since there is no difference in principle on this point, the question is how to proceed. Combined Anglo-American pressure, with the threat of stopping American aid, and of withdrawing all troops from the Continent, unless France accepts the EDC, might do. For one thing, the French franc would go to pot without the U. S. billions to support it. The value of such "blackmailed" cooperation is hard to estimate. And the French are fully aware of our military investment—in France, that could scarcely be abandoned. Some action will be devised, however, with or without France's consent, to start arming Germany, which is one of the categorical imperatives of our defense policy. It is essential also to save the pro-American Adenauer regime that is in danger of being forced to turn "neutralist" unless its shows results.

The second great problem at stake is that of a Southeastern Asia coalition. More precisely, the question is where to stop the Bolshevists, and who should do the stopping. In that area of policy, London (and the rest) and Washington are as far apart as ever. The British point of view is: that "peace" could be established in Korea and Indo-China—partitioning both—if the U. S. would only recognize Mao's regime and the communist Viet Minh. On the other hand, there is no sign that Mao has made any concrete promise in exchange for recognition, still less reason to believe that he would keep his promise. In any case, the British would rather acquiesce in the loss of Indo-China than go to war until and unless vital interests of the United Kingdom are directly affected — meaning Malaya. But Vice-President Nixon spelled out the Pentagon point of view: the conviction that Bolshevists respect nothing but force.

(Churchill's policy of Red-appeasement booked a "great" success for his country: the Bolshevist masters of China accorded diplomatic recognition to the Queen of England, this after four years of arduous courting of the former by the ministers of the latter!)

The scenario is complicated by France's apparent readiness to conclude an armistice that is tantamount to "walking out" of Viet Nam, and by the insistence of Mendes-France (the 19th Premier since the War) that German armaments should not get underway until France is freed of her Far Eastern worries. Through this cobweb of diplomacy, our armed intervention in Southeast Asia has been taken off the agenda—until after the November elections, which happen to coincide with the ending of the rainy season in the tropics. (By that time, given the inimitable French way of carrying on, there may be little

left in Indo-China for which to fight.)

The unpleasant reality to be faced is that China, and a Red one at that, has entered the world arena as a first-rate power, totally upsetting the tenuous balance of power in Asia. Therefore, with or without actual fighting, Far Eastern armaments will undoubtedly be intensified, which means greatly increased outlays for military and economic aid to that region. Add to this expense our share in the cost of rearming Germany — and, most likely, in paying France for permitting it. Even another shooting "incident" cannot be ruled out altogether.

Unstable as the international equilibrium is, one thing is practically certain. Instead of being cut by another $5 billion, military expenditures are likely to receive a fresh boost. But short of a major war, taxes cannot be raised again, and with tax receipts declining, deficit financing on an enhanced scale is an almost foregone conclusion.

Deficit financing means to prime the pump of inflationary bank credit. That is what the Federal Reserve Board is preparing for by releasing more funds to the banks through again lowering the amount of money the banks are required to keep with the Reserve Banks. The lending capacity of commercial banks is thereby being inflated to the tune of at least $7.5 billion—pretty close to the $10 billion the U. S. Treasury already expects to borrow before Christmas. It may have to borrow more. If so, consumers and traders who have been following a policy of hand-to-mouth buying may find their expectation of lower prices disappointed. Thus, financial and psychological groundwork is being laid for a new upturn—wherever that may lead.

Four Men Join Eaton & Howard, Inc.

BOSTON, Mass.—Eaton & Howard, Incorporated, 24 Federal St., Boston investment counsel firm and Managers of the Eaton & Howard mutual funds, announced

Kenneth C. Leonard

William DeFord

today that the following men became associated with the organization on July 1: Kenneth C. Leonard and William DeFord as Vice-Presidents, William H. Gassett as Assistant Vice-President, and David C. Hoover as Account Executive. Each was associated for many years with the Boston investment counsel firm of Russell, Berg & Co. Mr. Leonard was with the firm for 35 years, as a partner since 1929; Mr. DeFord for 15 years as an Account Manager; Mr. Gassett since 1931, as Director of Research since 1937, except for service during World War II as a Naval Officer in the Office of Procurement and Materials in Washington; Mr. Hoover since 1937 has served Russell, Berg & Co. as a member of the Research Department and more recently as an Account Manager.

Mexican Debt Payment Committee Dissolved

Organization set up in 1922 for settlement of Mexico's foreign debt directs distribution by the Guaranty Trust Company of New York of approximately $2 million to holders of Mexican bonds deposited with the Committee.

Final judgment in the accounting action of the International Committee of Bankers on Mexico (1922) has just been signed, it was announced July 6. It contains provisions for dissolution of the committee and directs distribution by the Guaranty Trust Company of New York as depositary over an 18-month period of slightly over $2,000,000 to holders of Mexican bonds who had deposited with the committee in the period 1923-1930.

The dissolution of the committee, which will take effect with the delivery of its funds to the distributing agent, marks the conclusion of the long period of effort resulting in the agreements between the Government of Mexico and the International Committee to rehabilitate the foreign debt of Mexico and the Mexican railways following the defaults which occurred in 1914. This effort was initiated by J. P. Morgan & Co., Kuhn Loeb & Co., Ladenburg Thalmann & Co., and Speyer & Co., who were instrumental in forming the International Committee consisting of bankers familiar with Mexican issues in New York, London, Paris, Brussels, Amsterdam, Geneva and other financial centers.

As shown by the committee's accounts filed in the two accounting actions and approved by the Court, the committee during its administration handled about $45,000,000, all of which was ultimately distributed to bondholders except for the necessarily large expenses imposed by the effort to rehabilitate the debt.

The committee initiated by the above-mentioned interests was headed at first by the late J. P. Morgan, subsequently by the late Thomas W. Lamont and now by Arthur M. Anderson. It has spared no effort and has exerted every resource to obtain a resumption of payment by Mexico and the Mexican railways on a 100% basis. Economic and political disturbances prevented the realization of this objective. However, the 1942 and 1946 agreements negotiated by separate committees with substantially the same membership as the 1922 committee, which is now submitting its accounts, did succeed in obtaining on a reduced basis payments by Mexico and the Mexican railways, payments which are continuing.

In the rendition of all this service over a period of 35 years, the committee has never received or requested personal compensation for its members, even though the agreements provided that the members were so entitled.

Hooker & Fay Admit

SAN FRANCISCO, Calif. — Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges, on Aug. 1 will admit Asa V. Wilder to partnership.

Continued from page 14

Government and the Welfare Concept

cidents for instance there is, in nearly every state, workmen's compensation as a liability on the employer, as there was in Britain till 1948. For risks of all kinds there is voluntary insurance of all kinds.

The most important field for direct comparison between the two countries is that of pensions in old age and for dependents after death of the breadwinner.

The most important of the differences of scope lies in the establishment in Britain of a National Health Service designed to secure to every sick person in Britain whatever treatment he needs, at home or in hospital, from general practitioner, specialist or consultant, without direct charge to him. The service is now under examination by the Guillebaud Committee.

The immediate reason for this Committee was to secure an independent study of the cost of the Health Service, which has exceeded greatly the original estimates. The Committee will no doubt supply material for judging how this excess of actual overestimated expenditure has arisen, how far it is inevitable, and whether any economy can be secured. It will, it is hoped, deal with more general questions affecting the service.

Meanwhile, it is safe to say that the service has come to stay in Britain. Within the past few weeks it has been the subject of debates in both Houses of Parliament. In the House of Lords on April 7, many criticisms of detail were made — aimed chiefly at securing closer coordination between the three sides of the service — the hospitals, the general practitioners and the preventive services of the local authorities. But no speaker on any side of the House suggested going back on the scheme or undoing what I described as "a most remarkable achievement in converting the financial basis of a great and learned profession, and in converting the financial basis and control of a mass of splendid institutions."

The House of Commons debate of May 10 was even more noteworthy as marking acceptance of the Services by all parties. The Conservative Minister who wound up the debate was emphatic on this: "We are all agreed that the National Health Service, although it may need tuning up here and there, is today doing a splendid job of work."

I do not say that other countries should do as Britain has done; in welfare each country must take its own line. But Britain's line on health is settled. The economic barrier between sick persons and the treatment needed by them has been removed in Britain once for all, for every member of the population.

(2) **In Respect of Benefit Rates:** While benefits in Britain are generally at a flat rate—not related in any way to the earnings of the persons concerned— in the United States they are in principle related to earnings, subject to a maximum and a minimum. This is a difference fitting naturally a greater difference in the standards of living in different part of the United States than is to be found in Britain.

(3) **In the Source of the Funds From Which Benefits Are Provided:** In Britain the National Insurance Fund, from which money benefits for unemployment, sickness, industrial injury, retirement (pensions), widows and orphans, and maternity are drawn, is built up by compulsory contributions by employers and employed (roughly equal) with a state contribution of about another sixth of what comes from employers and employees. These contributions are designed actuarially, if paid from 16 years to retirement, to cover the cost of all the benefits, including pensions. But though the fixed Exchequer contribution to the National Insurance Fund is only about a seventh of the total contributions to the Fund, the expenditures on social insurance and allied service that is met by the Exchequer and falls therefore on the general tax-payer is much greater than this. The Exchequer meets the whole cost of Childrens' Allowances, of National Assistance and of the National Health Service (apart from a share of the contributions to the National Insurance Fund and a small proportion borne by local rates), and it meets also any deficit in the National Insurance Fund. In America the money required for oldage and widows and orphans pensions is raised by contributions of employers and employees. That for unemployment insurance is raised in part in the same way, but in most cases by contribution from the employers alone. In neither case is any direct contribution made by the Federal government. The cost of public assistance is shared between the Federal and State Governments with contributions in some cases from local authorities.

(4) **In Financial Methods:** In Britain we proceed on pay-as-you-go, and are looking forward to an alarming deficit due to oldage pensions in the next 25 years. You, though you may not fund sufficiently in all cases, appear to fund very largely and, as you know, are beginning to ask what is to be done with all the billions of dollars that may accumulate under present arrangements in Old-Age and Survivors Insurance.

All these differences leave a fertile field for comparisons between the two countries, above all in regard to two major problems which I shall deal with next.

Subsistence Level for Insurance Benefits

This was the central feature of the Beveridge Report and that to which it owed most of its appeal to public opinion. It was accepted in principle by the Labor Government for the National Insurance Act of 1946. Mr. James Griffiths, Minister of National Insurance, in moving the second reading of the National Insurance Bill on Feb. 6, 1946, said:

"In order that benefit rates may be soundly based, they must satisfy two essential requirements. In the first place, the leading rates must be fixed initialy at figures broadly in relation to the cost of living. Secondly, . . . definite arranagements should be made for a review fo the rates from this point of view at periodic intervals."

Mr. Giffiths was, of course, well aware in 1946 of the practical problems arising on the subsistence principle, as well aware as I was when I wrote the Report in 1942. Subsistence costs were to be a guide to benefit rates, not a precise prescription.

The answer to practical problems arising on the subsistence principle is in itself practical. We must have both social insurance giving benefits as of right without proof of need, and public assistance for whose need fails to be met by insurance. The test whether the benefit rates of social insurance are adequate or not is whether demands for public assistance decline or rise, and whether in particular the numbers on benefits who need assistance in addition fall or rise. United States provision for the aged appears to be on the way to satisfying this test today; formerly there were more aged persons drawing assistance than there were in receipt of OASI pensions; by 1952 the position had been reversed. British social insurance at the moment is failing on this test; when National Insurance began in July, 1948, 552,000 persons on benefit were having recourse to assistance also; by the end of 1953, this number had risen to 1,227,000.

There is no reasonable doubt as to what the review of benefit and pension rates that has to be made probably this year will show: That the rates of benefit and pension now in force are inadequate for preservation of health and working capacity, through change in the value of money, and are materially less adequate than they were when rates were first fixed in 1946.

When the Minister has made his review he will hardly be able to escape proposing an increase of benefit and pension rates that may cost in the neighborbood of £150 million a year.

The Problem of the Aged

Twenty years ago the major problem in the field of social security was that of unemployment—common to Britain and the United States and to many other countries. The major problem in this field today is different, but is also common to Britain and the United States and many other countries—broadly to all countries of Western Europe or settled from Western Europe. It is the problem of the growing proportion of old people in the total population, arising from the downward swing of the birth rate in nearly all thes countries beginning about 74 years ago.

The coming bulge of older people in the total population is broadly similar in Britain and the United States, if proportionately less with you. In each country the number of pensionable persons will rise by about 50% in the third quarter of this century—for Britain from 6½ million in 1951 to 9¾ million in 1977; for the United States from 13 million in 1952 to 20 million in 1977.

For Britain under the existing social insurance scheme this bulge means a mounting deficit in the National Insurance Fund; the forecast for 1977 is expenditure of £953 million, income £536 million, leaving a deficit £417 million to be met under the existing law by the general taxpayer. In dollars these figures are $2.7 billion, $1.5 billion, and $1.2 billion; as proportions of the total national income now they may be put at 8%, 4½% and 3½%. By 1977 the national income will presumably be greater even if prices cease to rise. These estimates assume continuance of the present rates of pension. If, as seems all but inevitable, pensions are raised to meet the higher cost of living, the deficit will be increased and practically the whole of this will fall on the general taxpayer.

The points of interesting comparison between the United States and Britain in respect to provision for old age are not limited to the coming bulge of older people, illustrated by the figures given above. Three other points call for consideration:

(a) **Retirement Condition for Pension:** In Britain, one of the changes recommended in the Beveridge Report was to make the higher pensions proposed depend on retirment from regualr work; they were to be retirement pensions, not old-age pensions as such. This recommendation was adopted in the Act of 1946 for the first five years of pensionable age—65 to 70 for men and 60 to 65 for women. The retirement condition does not mean that the pensioner may do no work at all; in practice it becomes a limit on what he may earn — at present £2 a week, say $24 a month. In the United States, while the term "retirement pensions" is not used, in OASI a result similar to that of Britain is reached in practice by withdrawing the pension for any month in which the pensioner earns more than a certain amount; the limit at present is $75 a month; and it applies up to the age of 75. The working of a retirement condition raises problems on which exchange of experience between the two countries might be most valuable.

(b) **Private Superannuation Scheme:** In each country there has been in World War II and since the war a great development of private superannuation schemes in particular businesses or industries. The growth of such schemes in each country has been stimulated by the high levels of taxation; contributions can generally be treated as a business expense to reduce taxation. The administration of these schemes may have an important bearing on the third point noted below.

(c) **Possibility of Reducing Expenditures on Pensions by Reducing the Period During Which They Are Drawn:** This means saving on pensions by increasing the average length of working life, and presents may difficult problems. It requires:

(a) Change in the attitude of many employers and younger employees to the continuation of older persons in employment, or their engagement for fresh employment.

(b) Review (as suggested above) of private superannuation schemes, which in many cases have fixed dates of retirement.

(c) Examination of health of older people and perhaps the taking of special steps, possible in Britain under the National Health Service, to continue their fitness for work.

In view of the coming bulge of older people in the population, the possibility of postponing retirement from work undoubtedly calls for examination. Apart from saving on pensions, lengthening of working life would in many cases increase human happiness.

But naming of this point does not mean that the cost of pensions could not be borne, even without it. That is certainly not true of the United States and is probably not true of Britain. Within the past few weeks an interesting report has been published by the Institute of Actuaries and the Faculty of Actuaries in Britain on "The Growth of Pension Rights and Their Impact on the National Economy." This report which was prepared by a research group of the two bodies named, calculates that if for the next 30 years Britain can continue to increase her productivity at the rate achieved before World War II, namely 1½% a year, there would be no difficulty both in meeting the cost of adequate pensions for the aged and in raising the standard of

living of the working population. Sir Winston Churchill once described social insurance as bringing "the magic of averages to the rescue of the millions." Our British actuaries have set out to bring the magic of compound interest to the rescue of social insurance. This optimistic calculation needs to be taken with two cautions, of which its authors are well aware.

First, Britain may find it harder in the future to maintain her former progress, in view of her dependence on food supplies from overseas and the prospective pressure of growing world population upon food resources everywhere.

Second, the calculation assumes that some part of the increasing production of the stationary working population will be kept available to meet the needs of the retired, in place of being absorbed at once in claims for higher earnings.

Welfare cannot be conferred on men by a Welfare State. It must be won by cooperation between the State and its citizens.

The part of the State is to establish a minimum below which no man need fall, leaving freedom and responsibility for each man to make and live his life above the minimum, individually and in free association with his fellows.

The United States and Britain inherit from their common past a common scale of human values. In simplest terms this scale means that for each people freedom is more important than equality, another way of putting this is to say that justice, which to them is as important as freedom, does not mean equality.

The special field covered by this conference illustrates the common scale of values, the similar problems to which developing industrialism has given rise, and the same general attitude towards them of the people of our two countries. In the United States as in Britain social security is accepted as part of the social structure and is in constant process of expansion and improvement. There is at the same time between the two countries a refreshing and instructive variety of methods.

Last February, before I had thought of coming to the United States, I wrote in the "Sunday Times" of London:

"The people of the United States and of Britain have broadly similar outlooks on the relation of the State and the individual, on government and freedom. There is no field on which each people can learn more from the other by close mutual study than the field of social security."

Kuhn, Loeb Arranges Private Placement

General American Transportation Corp. on July 2 announced that it has sold through Kuhn, Loeb & Co. to a small group of institutional investors, $24,843,750 principal amount of its equipment trust certificates, series 53. Of the total, $12,500,000 principal amount was delivered on April 1, 1954, and the balance of $12,343,750 on July 1, 1954. The certificates bear dividends at the rate of 4% and will mature serially in quarterly instalments to and including April 1, 1974.

The equipment covered by the Trust consists of 2,401 new railroad freight cars.

Kenneth M. Jones Now With Draper, Sears

(Special to The Financial Chronicle)

BOSTON, Mass. — Kenneth M. Jones has become associated with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges. Mr. Jones formerly conducted his own investment business in Boston as an individual dealer.

Santa Barbara Co. Formed

(Special to The Financial Chronicle)

SANTA BARBARA, Calif. — James A. Graham is engaging in a securities business from offices at 1014 Anacapa Street, under the firm name of The Santa Barbara Company.

Paine, Webber Partner

Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, on July 8 admits Charles L. Kennaugh to partnership.

C. C. Harwin Opens

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Carl C. Harwin is engaging in a securities business from offices at 238 South Beverly Drive.

With Burton, Dana

Burton, Dana & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have announced that Bradford M. Patterson is now associated with the firm.

Reasons For Business Confidence Termed Genuine and Impressive

"Monthly Bank Letter" of the National City Bank of New York warns, however, against expecting too much too soon, since confidence in outlook for second half of year rests on expectation of continuing high consumption.

The July issue of the "Monthly Bank Letter," publication of the National City Bank of New York, in discussing elements in the business outlook for the remaining months of the year, finds the reasons for widespread general confidence in the business situation are "genuine and impressive." Concerning this matter, the "Monthly Bank Letter" states:

"Confidence in the outlook for the second half year rests on expectation of continuing high consumption; on assurance of an abundant supply of money and credit, which has been strengthened by the action of the Federal Reserve Board reducing member bank reserve requirements; and, thirdly, on the belief that inventories of certain goods, notably manufacturers' stocks of purchased materials, have been reduced to a point where buyers must be steadily in the markets even while further reduction of finished goods stocks takes place. These factors may be expected to support business, in the future as in the past.

"To bring about a strong recovery, however, forces more dynamic than the foregoing would have to appear. A pronounced revival of inventory accumulation would be such a force, but few businessmen are now of a mind to build up stocks, and with supplies and productive capacity abundant only a war scare or the equivalent is likely to change their attitude. An increase in business plant and equipment expenditures would have an expansive effect, but these expenditures, while still near the largest in our history, show a moderate downward tendency. A further rise in construction . . . can hardly be expected. Defense contract awards are rising, as they must if deliveries are to be kept coming, but the net effect is more to sustain than to stimulate afresh.

"Moreover, certain drags on recovery are apparent. With the sizable stocks now in dealers' hands the automobile industry is unlikely to contribute much to a second half year upturn. Agricultural prices have been on the downgrade again. Prices of farm products dropped 6% between May 18 and June 15. Some decline often occurs at this time of the year as new crops start coming to market, but this drop was unseasonably sharp.

"With prices of manufactured goods steady, the so-called farm 'parity ratio' for the month of June was the lowest since March, 1941. This signifies some further decline in farm purchasing power. To get the markets for the surplus farm products back into shape without a decline in farm purchasing power would, in fact, be impossible. Either prices must fall or production be cut. Whether the decline in output is accomplished by compulsory acreage curtailment, voluntary adjustments, or crop disaster, the effect on farm income is inescapable. Those industries which sell chiefly to the farmer must particularly feel the general pressure to cut costs and selling prices.

"These elements in the outlook supply warnings against expecting too much too soon. But the reasons for confidence are genuine and impressive. As compared with mid-year in 1953, lower stocks of goods, easier money, and gains in efficiency and productivity constitute a stronger basis for business in the months ahead. For the longer run, optimism is widespread. The country has had a heartening demonstration that it is possible to retreat from boom conditions without collapse into a deflationary spiral. The stabilizing influences which have made this retreat orderly and moderate also provide a base for further improvement."

S. F. Exchange Member

SAN FRANCISCO, Calif.—Ronald E. Kaehler, President of the San Francisco Stock Exchange, announces the election of J. Earle Jardine, Jr. to membership in the Exchange effective July 1, 1954. Mr. Jardine is a general partner in the member firm of William R. Staats & Co. and acquired his membership from Edward C. Henshaw, a general partner in the same firm until his retirement on June 30, 1954.

NPA Urges $25 Billion Annual Production Rise

Potential economic expansion into added military and civilian security, modernized plant and equipment, improved schools, hospitals, and roads, a rising standard of living, and foreign aid, advocated by National Planning Association. Denies excessive inventory accumulation was prime cause of recent economic trouble, and that inventory adjustment will end it.

Changes in public and private policies to assure greater use of the country's manpower and steadily rising productive capacity are recommended in a report of the Steering Committee of the National Planning Association. The report "Opportunities for Economic Expansion," released by the Committee's Chairman, H. Christian Sonne, is signed by ten other NPA leaders from agriculture business, labor, and the professions.


H. Christian Sonne

Production of goods and services should be steppd up by an annual rate of about $25 billion over a period of a year if our economic activity is not to remain below the growing potential of production, according to the Committee. This potential economic expansion could take many forms, but the Committee believes there probably would be a combination of various possibilities—more adequate military and civilian security, modernized plant and equipment, improved schools, hospitals, and roads, a rising standard of living, and foreign aid.

The Committee expressed the strong conviction that it is essential to our national interest to achieve this potential growth during the next year. "Involuntary total or partial idleness on the part of a substantial number of workers and underutilization of productive capacity would be undesirable in any circumstances; they are inexcusable in a perilous world situation in which the most effective use of manpower and capacities concerns not only the comfort but also the security and possibly the survival of the nation."

The recent recession is attributed by the Committee "to the failure of private demand to rise in accord with the rise in productive capacity at a time when government and investment demand began to level off." The Committee concludes; "Viewed in the light of a growing economy, excessive inventory accumulation was not the prime cause but rather one of the links in the chain of economic trouble. And unless the prime cause of the trouble is cured there is no assurance that the inventory adjustment will mark the end of economic difficulties."

The basic adjustments needed to create additional purchasing power, the Committee warns, still have not been made. If government expenditures continue to decline, as scheduled under present progams, private demand must rise by very substantial amounts to provide markets for future growth. For long-range economic health, "adjustments in taxation, prices, and consumer and business attitudes which have hardly begun," should be made.

Before considering the role which business investment, increased consumption, and public construction and welfare programs should have in economic expansion, the Committee recommends careful re-examination of military and civilian national security programs. Needed additions to the security program in the present international situation should take precedence in any expansion program. If it is found that there should be additional security programs, the Committee suggests that a special session of Congress be held in the fall to "consider legislative authorizations and supplemental appropriations for the additional measures."

The Committee's own conclusions on security needs—that of a "group of citizens," admittedly without full knowledge of questions of military strategy or many dangers which threaten the Free World's security—is "that in our situation of uncertainty some increase in national security programs is urgent but that part of the possible increase in production can, at least at the present time, be devoted to meeting a moderately rising private and public peacetime demand." Although definitely not necessary "to avoid a depression," the Committee visualizes new programs for national security "rising from perhaps $2 to $3 billion next year to a maximum of $10 to $15 billion three years from now." These new programs—including ones to help assure preparedness for an all-out war or for a more limited conflict, maintenance of our technological superiority in weapons, provision of far more adequate civilian defense — together with falling expenditures for present security programs, "probably would not exceed the peak rate of national security expenditures in 1953," and "in terms of the ratio of national security spending to total production the new peak would be even below that of 1953." Furthermore, "the increase would be incomparably millder than that experienced after the Korean crisis."

The Committee does not believe that additions to the national security programs of the size it envisages would require "the use of comprehensive direct controls, such as price and wage controls or rationing," but does feel that stand-by controls are desirable "if it is made entirely clear that they are designed only for use as part of a large-scale mobilization program."

The extent to which tax programs should be further changed has to be governed, the Committee concludes, by any upward revision of the national security program. If "there is no urgent need to adopt at this time additional national security programs of substantial magnitude, then additional measures should be considered to promote expansion and 'maximum employment, production, and purchasing power' in accordance with the requirements of the Employment Act." A leveling off or continued reduction in government programs, the Committee says, would provide a strong case "for further tax measures to strengthen consumer purchasing power. A reduction could be made in excise taxes or in the individual income tax. With respect to individual income taxes we favor a reduction which would strengthen mass purchasing power and which would be of a type that could be reversed in case of an emergency." Among other additional measures which should be considered are "provisions for better coordination and a step-up in urgent nondefense programs of the Federal, state, and local governments, and amendments to the housing program."

A program involving increased governmental expenditures or tax reduction may well produce some cash deficit in the Federal budget. The Committee points out that "the absolute amount of debt and interest payments" counts less than "the relationship of the debt to national wealth and the relationship of interest payments to national income and taxpaying capacity." Speaking of a cash deficit of limited size—say $4 or $5 billion—the Committee says: "As long as the economy continues to grow, as it does with present technological and managerial improvements, and as long as individuals and business continue a relatively high rate of saving, a cash excess of outlays of that magnitude need not be inflationary and need not burden the economy with disproportionate interest payments."

An examination of the behavior of prices and wages as productivity has increased and in the face of weakened markets leads the Committee to conclude that there should be more study of price and wage policies which are "consistent with and support both continued high employment and general price stability." To this end, it suggests that a small conference of individuals with special knowledge of management and labor problems be held by a private organization to debate questions of desirable wage policy "under various assumptions with respect to the national security program, price developments, the rate of rise in productivity, and employment and unemployment."

Determining the best types of economic expansion under present world conditions is not easy, the Committee recognizes. But it feels that "in an unsettled world situation with an ever-present war threat, it is the most realistic course of action to develop and maintain a well-balanced program of preparedness and at the same time to promote the growth of economic strength and a rise in living standards both here and in the rest of the free world. With full utilization of our resources and careful planning of policies these objectives can be attained. There is only one thing which we cannot afford; that is to permit labor and capacity to remain idle."

Signers of the report are:

H. Christian Sonne, (Chairman), Chairman of the Board, Amsinck, Sonne & Company.

Frank Altschul, Chairman of the Board, General American Investors Company.

Solomon Barkin, Directors of Research, Textile Workers Union of America.

Clinton S. Golden, Executive Director, Trade Union Program, Harvard University.

Luther H. Gulick, City Administrator of the City of New York.

Albert H. Hayes, International President, International Association of Machinists.

Donald R. Murphyy, Editor, "Wallaces' Farmer and Iowa Homestead."

Elmo Roper, Elmo Roper, Marketing.

Beardsley Ruml, New York, New York.

Robert C. Tait, President, Stromberg-Carlson Company.

Wayne Chatfield Taylor, Washington, D. C.

Gerhard Colm, Chief Economist, National Planning Association.

Joins Tucker, Anthony

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Oliver G. Brown has become connected with Tucker, Anthony & Co., 74 State Street.

Kellehers Join Staff of B. C. Ziegler & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Walter M. Kelleher and Walter M. Kelleher, Jr. have become associated with B. C. Ziegler and Company, 39 South La Salle Street. Both were partners in Walter M. Kelleher & Co.

Railroad Securities

Great Northern

One of the anomalies in the railroad stock market was eliminated last week when the new Great Northern stock was issued. For more than half a century Great Northern has had only one class of stock outstanding and this was characterized as a "preferred" stock with the preferential right to a $6.00 dividend annually before anything could be paid on any class of junior stock. There has not been any junior stock and in good years in the past the "preferred" stock quite often received more than $6.00 in dividends. In actual practice the issue had long been a common stock and the name "preferred" had only served to confuse many investors. Now the company has split the stock two-for-one and reclassified it as common stock.

While this stock has not been one of the dynamic spots in the rail market in the past few years it has been acting quite well in recent weeks and many analysts are impressed with its long-term investment potentialities. An indicated dividend of $2.00 on the split stock appears to be amply protected and affords a generous yield, quality considered, of close to 7%. While close followers of the company's affairs are of the opinion that the dividend is not apt to be liberalized in the near future, they do feel that there are a number of reasons for anticipating a consistent future expansion in the road's earnings potential which in turn should eventually lead to more generous distributions.

The traffic outlook is bright over the longer term although the road at the present time is naturally suffering from the general economic readjustment. One of the most important factors in the favorable outlook is the comprehensive network of hydro-electric installations in the western part of the service area. The availability of electric power has already been attracting industry into this section and the program has by no means been completed as yet. Moreover, the multi-purpose dams are being used for irrigation with the result that vast new farming areas are being opened up. This once barren land is becoming increasingly important as a source of profitable new traffic and this trend also appears certain to continue. Finally, despite the spate of publicity regarding the importation of foreign iron ores, the more intensive exploitation of some of the lower grade ores in the company's territory affords adequate assurance that the road will continue for many years to come to handle a large volume of this profitable tonnage.

Great Northern has long been one of the more efficient operators in the railroad field, and here again there is promise of further progress over the near and intermediate terms. This year, for the first time, the iron ore operation is fully dieselized. Diesel operations have also been increasing over other parts of the system and it is probable that the management will continue to press this program, although complete dieselization is made rather difficult by the highly seasonal nature of the road's operations. Another field in which substantial economies are anticipated is in yard operations. It is reported that the company has plans to construct, in the not-too-distant future, a centrally located fully mechanized yard, the first on the system. Thus, for the future there is visualized the dual impact on earnings of expanding revenues and increased operating efficiency.

Adjusted for the two-for-one split, earnings last year came to $4.92 a share, the best showing in many years and comparing with a ten-year average of $4.07. Although the May showing was impressive, with net slightly above year-earlier levels, earnings for the full five months dipped to $0.64 a share compared with $1.11 for the like 1953 period. Early months are always seasonally poor for this road and now that the seasonal upturn is coming comparisons are expected to continue to improve. On the basis of the present outlook it is estimated that full year's results will work out at least to $3.50 a share, which seems adequate to support the $2.00 dividend.

Valley National Bank Offer Underwritten

The Valley National Bank of Phoenix (Arizona) on July 8, offered to its common stockholders the right to subscribe for a total of 200,000 shares of additional common stock (par $5) at $22 per share on the basis of one new share for each five shares held. Subscription warrants will expire at 2 p.m. (MST) on July 23, 1954.

The offering has been underwritten by Blyth & Co., Inc.; William R. Staats & Co.; Dean Witter & Co.; Refsnes, Ely, Beck & Co.; Henry Dahlberg & Co.; Hill Richards & Co.; R. L. Day & Co.; Kenneth Ellis & Co.; Crowell, Weedon & Co.; Dempsey-Tegeler & Co.; Bingham, Walter & Hurry, Inc., and Wagenseller & Durst, Inc.

With Eastman Dillon

EASTON, Pa.—Eastman, Dillon & Co., members of the New York Stock Exchange, announce that Donald G. Laubach has become a registered representative in their Easton office located in the Alpha Building.

Courts Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ROME, Ga.—Olie L. Combee is now with Courts & Co., 213 East First Street.

Uranium Mart Opens

SALT LAKE CITY, Utah—W. Weeks Wirthlin has formed Uranium Mart, Inc., 146 South Main Street, to engage in a securities business.

Joins Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Nicholas G. Tacinas is now with Founders Mutual Depositor Corporation, First National Bank Building.

Byron Brooke Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — George W. Pruitt Jr. has been added to the staff of Byron Brooke & Company, Citizens & Southern Building.

E. T. Watkins Opens

HOUSTON, Tex. — Edward T. Watkins is conducting a securities business from offices in the Melrose Building.

Claude Wells Opens

CHICAGO, Ill.—Claude A. Wells is conducting an investment business from offices at 135 South La Salle Street.

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News About Banks and Bankers

the Brooklyn postoffice on Montague Street. In less than a year its growth was such that larger quarters were required and space was leased in the old Hamilton Building on the site of the present Temple Bar Building. In 1865, still larger quarters were needed and "The Dime" erected its own building on Fulton Street facing Borough Hall. In 1884, the bank built a larger building at Court and Remsen Streets. Twenty-four years later, in 1908, the first building was erected on the present site. In 1932, the major portion of the present structure was built and occupied, and it has been enlarged since to meet the needs of the bank's continued growth.

In addition to this main office, The Dime of Brooklyn maintains three branches, located respectively in the Flatbush, Bensonhurst and Coney Island sections of Brooklyn.

The nine Presidents who have headed "The Dime" prior to Mr. Johnson include: John A. Cross (1859-1867); Seymour L. Husted (1867-1887); Gardiner S. Hutchinson (1887-1893); Benjamin H. Huntington (1893-1904); John L. Marcellus (1904-1916); Russell S. Walker (1916-1920); Edwin A. Ames (1920-1929); Frederick W. Jackson (1929-1932); Philip A. Benson (1932-1946).

Present officers include: George C. Johnson, President; Walter Hammitt, First Vice-President; W. J. Wason, Jr., Second Vice-President; A. Edward Scherr, Jr., Vice-President and Treasurer; Alfred R. Marcks, Vice-President, Everett J. Livesey, Vice-President and Secretary; Gustav T. Andren and Thomas S. Sites, Vice-Presidents, and Gerald J. Peffert, Comptroller.

Trustees include: Walter Hammitt, W. J. Wason, Jr., Albert Hutton, Frank F. Jackson, Henry A. Ingraham, George C. Johnson, DeWitt A. Forward, Austin C. Cheshire, John E. Baxter, Robert E. Blum, Alvin G. Brush, Gordon S. Braislin, A. Edward Scherr, Jr., George A. Nelson, Elliott V. Bell, M. Greacen Briggs, Alfred R. Marcks, and George C. Wildermuth.

* * *

The Lincoln Savings Bank, Brooklyn, N. Y., again paid an extra dividend of one-quarter percent a year in addition to the regular dividend of 2½% a year, for the quarterly period ending June 30, 1954.

John W. Hooper, President of the bank announced that the current dividend was the 237th consecutive dividend paid in the bank's history since 1866, the year the bank was founded.

* * *

The Banking Department of the State of New York has received a certified copy of an Order, granted by the Supreme Court of the State of New York, County of Nassau, on June 23, 1954, declaring the **Floral Park Bank & Trust Company, Floral Bank, New York,** dissolved and its corporate existence terminated.

* * *

William F. MacDonald, Jr., Vice-President of **The County Trust Company in White Plains, New York,** completed 30 years of service on July 3.

In 1935 Mr. MacDonald was appointed Manager of the bank's first branch office in Mamaroneck. He is currently in charge of advertising and public relations for County Trust's 24 Westchester County offices.

* * *

The First Trust & Deposit Company of Syracuse, New York, on June 30, retired $8,996,400 of preferred stock "A" formerly held by the Reconstruction Finance Corporation. Retirement of the stock was coincidental with payment made to the RFC on its final day of operation, Congress having legislated the government lending agency out of existence effective June 30.

The transaction was closed in the office of **The First Boston Corporation in New York,** with Albert B. Merrill, President of First Trust, delivering the bank's check for the stock to a representative of the RFC.

Funds for the retirement of the preferred stock "A" were provided through the issuance and sale of new securities of the bank. These consisted of $5,000,000 principal amount of 5% subordinated debentures sold to institutional investors, and 200,000 shares of new cumulative convertible preferred stock, sold to holders of the bank's preferred stock "B" and the public.

The First Boston Corporation acted as financial adviser to the bank and as agent in the placement of the debentures.

* * *

A Vermont banking consolidation is expected in the near future, it was reported on July 2, with the announcement that plans are under way for the integration of two Orleans County banks with the **Chittenden Trust Company of Burlington, Vt.**

The banks involved are the **Orleans Trust Company of Newport, Vt.,** and the **Valley Savings Bank and Trust Company of North Troy, Vt.** The integration plan provides for the continued operation of both of these banks in their present locations as branches of the Chittenden Trust.

The proposed consolidated will give the Chittenden a total of five banking offices in four counties. Chittenden already operates branches at Alburg and Swanton, in addition to its main office in Burlington. The consolidated institution will have resources totaling over $21 million.

Each of the proposed transactions have been approved by the Directors of the institutions involved. The plans are slated to become effective as soon as they are approved by the stockholders of the banks and by the state and Federal bank supervisory authorities. It is expected that the plans will be submitted to the stockholders and to the supervisory authorities for action in the near future.

Announcement of the proposed Chittenden-Orleans Trust merger was made jontly by T. Arnold Haigh, President and Chairman of the Board of the Burlington bank, and Louis C. Desautels, President and Chairman of the Newport institution. The North Troy transaction was announced jointly by Mr. Haigh and Dr. R. W. Adams, President and Board Chairman of the Valley Savings Bank and Trust Company.

* * *

The Connecticut Bank and Trust Company, Hartford, Conn., came into existence on July 1. Representing the merger of two of Connecticut's oldest and largest banks, the consolidated institution will carry on the combined operations of **The Hartford-Connecticut Trust Company, Hartford, Conn.,** and the **Phoenix State and Trust Company, Hartford, Conn.** The bank will have 21 offices serving Greater Hartford and 10 other communities in Northern, Central and Eastern Connecticut.

Announcement of the consolidation was first made public on May 11, with the approval of the trustees and directors of both institutions of a proposed agreement of merger. Stockholders of both banks approved the merger agreement on June 15, and formal approval by the State Banking Commission was received on the following day.

Lester E. Shippee, former President of The Hartford-Connecticut Trust Company, will serve as Chairman, and Raymond C. Ball, former President of the Phoenix State Bank and Trust Company, will serve as President of the merged instiution. The Board of Directors, limited by law to 25 members, and the Honorary Board of Directors will be comprised of the former Trustees of the Hartford-Connecticut Trust Company and former Directors and Advisory Council Members of the Phoenix State Bank and Trust Company. All present offices of both banks will be continued pending the ultimate consolidation of main office operations and with only a few changes the present offical staff and personnel will continue in camparable positions to serve the same customers as formerly.

The Connecticut Bank and Trust Company, has capital funds in excess of $22,500,000, resources in excess of $300,000,000 and trust assets of more than $400,000,000.

A previous item on the merger was given in the June 17 issue of the "Chronicle" page 2674.

* * *

The Citizens Trust Co. of Summit, N. J., Harry W. Edgar, President, announces that Arthur P. Hassell has recently been elected a Director of the bank's board. Mr. Hassell is a resident of Summit.

* * *

The National Bank of Westfield, New Jersey, increased its common capital stock from $150,000 to $275,000 efffective June 21. $50,000 of the increase was made by a stock dividend and $75,000 by sale of new stock.

* * *

FIRST NATIONAL BANK AND TRUST COMPANY, PATERSON, N. J.

	June 30,'54	Dec. 31,'53
	$	$
Total resources	209,262,145	210,034,962
Deposits	192,785,402	193,872,296
Cash and due from banks	32,536,883	33,467,736
U. S. Govt. security holdings	52,724,086	54,131,501
Loans & discounts	35,078,162	34,821,864
Undivided profits	3,799,643	4,349,044

* * *

The First National Bank of Girardville, Pa., with common capital stock of $80,000 went into a voluntary liquidation and was

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News About Banks and Bankers

absorbed by **The Union National Bank of Mahanoy City, Pa.**, effective June 18.

* * *

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	June 30, '54	Mar. 31, '54
	$	$
Total resources	998,727,245	902,348,179
Deposits	911,557,932	817,461,282
Cash and due from banks	280,986,004	260,730,412
U.S. Govt. security holdings	260,679,501	196,030,168
Loans & discounts	312,089,564	326,070,045
Undivided profits	12,558,946	11,545,100

* * *

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, ILL.

	June 30, '54	Dec. 31, '53
	$	$
Total resources	2,641,169,186	2,779,561,638
Deposits	2,396,538,400	2,536,500,395
Cash and due from banks	724,980,055	699,384,694
U. S. Govt. security holdgs.	1,097,640,015	1,116,306,512
Loans & discts.	647,441,754	793,434,004
Undiv'd profits	35,856,013	32,929,237

* * *

The First National Bank of Elkhart, Indiana, increased its common capital stock from $350,000 to $525,000 by a stock dividend and to $700,000 by sale of new stock effective June 21.

* * *

The First National Bank of Blanchard, Okla., with a common capital stock of $25,000 went into voluntary liquidation and was absorbed by the **First State Bank, Blanchard, Okla.**, effective June 23.

* * *

Mr. Robt. A. Vineyard, formerly Executive Vice-President of the **Citizens National Bank of Waxahachie, Texas**, was recently elected Vice-President of the **United States National Bank, Galveston, Texas.**, and assumed his duties as of July 1.

* * *

The Bank of California, National Association, San Francisco, Calif., on July 6 begins its Ninety-First year of banking service to the Pacific Coast.

Beginning with an initial capitalization of $2,000,000, California's first incorporated commercial bank observes its Ninetieth anniversary with total resource of more than $439,000,000.

The history of The Bank of California, N. A. actually dates from the organization of the banking firm of **Garrison, Morgan, Fretz and Ralston, San Francisco, Calif.**, in the fall of 1855.

Messrs. Garrison, Fretz and Ralston were San Franciscans and Mr. Charles Morgan was from New York. Captain Garrison was serving as San Francisco's fifth mayor, having been elected to the office in 1853. Mr. Fretz and Mr. Ralston were acting as agents for the Panama steamers "Uncle Sam" and "Yankee Blade."

The firm's first location was at Montgomery and Clay Streets and in 1856 the location was changed to Washington and Battery Streets where the four men continued their business until July 14, 1857 when the firm became Fretz and Ralston, San Francisco, Calif., due to the retirement of Mr. Garrison and Mr. Morgan. On June 1, 1861 Mr. Fretz and Mr. Ralston became a co-partnership and was succeeded by **Donohoe, Ralston and Company, San Francisco, Calif.** The partnership included J. A. Donohoe of San Francisco, Eugene Kelly of New York and Mr. Fretz and Mr. Ralston. On June 30, 1864 Mr. Donohoe and Mr. Kelly retired from the firm and Mr. Fretz and Mr. Ralston became the operating nucleus of The Bank of California which formally begun business under that name on July 5, 1864.

Its original stockholders and directors embraced the most prominent and outstanding capitalists of the city. D. O. Mills was President and W. C. Ralston, Cashier.

Shortly after the bank opened in 1864 a branch office was established at Virginia City, Nevada. As large gold and silver strikes were made, other Nevada offices were opened at Gold Hill, Hamilton and Treasure City. Of the four Nevada offices the Virginia City office was the largest and most active and its was maintained until 1917.

Construction was begun on a new bank building in 1865 and two years later The Bank of California moved to the present location of its Head Office at California and Sansome Streets.

At the turn of the century, however, these quarters had been outgrown and the building which had housed the bank for nearly 40 years was razed to make room for the impressive structure which is the present Head Office of the bank. When the disastrous fire and earthquake occurred on April 18, 1906, the ground was being prepared for the construction of the new building. On Sept. 8, 1908, the bank opened for business in its new quarters.

In 1905 The Bank of California acquired the **London and San Francisco Bank, Ltd., San Francisco, Calif.**, together with its long established offices in Portland, Seattle and Tacoma.

After 46 years of operation as a state bank, The Bank of California in 1910 applied for and was granted a national charter.

The former **Mission Bank of San Francisco** which was organized in 1903 became the bank's Mission Branch in 1927.

Throughout its ninety years of operation The Bank of California has had only eight Presidents. The present executive head of the bank is Elliott McAllister who has served as President since Jan. 1, 1950.

* * *

The new home of the Merced office of the **Anglo California National Bank, San Francisco, Calif.**, opened for a public preview on June 26, Paul E. Hoover, President of the bank announced. The office was opened for regular business on June 28.

Located at 555 West 18th Street between L and M in downtown Merced.

* * *

The First National Bank of Crows Landing, Calif., increased its common capital stock, effective June 22 by a stock dividend, from $25,000 to $125,000.

* * *

Four new officers were named at the **United States National Bank, Portland, Ore.**, following the June meeting of the Board of Directors. The appointments became effective at once, E. C. Sammons, President, announced.

Martin E. Olson was named an Assistant Trust Officer and Rance W. Fields, John E. Olin and Alfred O. Stromquist were promoted to Assistant Cashiers. All of the men are at the head office in Portland.

The United States National Bank opened the newly remodeled and expanded quarters of its branch in Beaverton, Ore., on June 26.

The Beaverton Branch is the former Security Bank of Beaverton, Ore., purchased in September, 1953, by the United States National bank. E. R. Mitchell is manager and H. C. Muschalik is Assistant Manager.

* * *

The Royal Bank of Canada, plans to raise $21,000,000 through the sale of capital stock to its stockholders, James Muir, its President, has announced.

The offering, to consist of 700,000 shares of capital stock at $30 a share in Canadian currency, will be sold at the rate of one new share for each five shares held. Upon completion of the stock offering, the bank's capitalization will consist of 4,200,000 shares of capital stock.

Mr. Muir noted that the shares would not be offered to shareholders whose recorded address was in the United States or a territory or possession thereof. American shareholders will be permitted to transfer their subscription rights.

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Stock Market at Mid-Year—Coming Pause That Refreshes

advance from the September 1953 low of 255 placed the market in a vulnerable position?

Admittedly the advance has been steep, but let us see how it compares with the two other intermediate term advances in the past five years:

The Five-Year Pattern

The first rise started at 160 in June, 1949 and carried to 230 in June, 1950 before it was interrupted by the Korean outbreak. This was a rise of 31% in 12 months. The subsequent correction carried back to 195 or about 15%.

The second rise started in July, 1950 at 195 and by January, 1953 had reached 295. This was a rise of about 51% in 30 months. The subsequent correction carried back to 255 or 13%.

The present rise started in September, 1953 at 255 and has advanced to 338 or 32% in nine months. A 14% correction would bring the market back to 300.

Here is how they compare:

Date—	% Advance	Time	Subsequent Decline
June 1949-June 1950	31%	12 mos.	15%
July 1950-Jan. 1953	51	30 mos.	13
Sept. 1953-July 1954	32	9 mos.	?

It would appear that the present rise is out of line only in respect to the time element. This could be corrected by a consolidating period.

While the averages have risen sharply, this does not apply to the general list of stocks. A recent compilation showed that 65% of the listed stocks were still below their 1946 highs despite the fact that the industrial average reached 338 as compared with a 1946 high of 213.

As compared with previous high periods, the market, even at present advanced levels, does not appear vulnerable. The table below shows how much you paid for $1 of earnings and $1 of dividends in three periods of stock market highs as compared with the present and also how much you had to pay to get the same income from common stocks as compared with high-grade bonds. Today's figures are approximate;

	For $1 of Earnings	For $1 of Dividends	Same Income $10 in Bonds
1929	$19.30	$29.90	$15.60
1937	16.60	22.20	10.75
1946	16.80	28.40	9.00
Today	11.50	18.75	6.50

From a technical viewpoint, the market does not appear vulnerable despite the sharp rise of the last nine months. However, it has gone a long way toward correcting the undervaluation that prevailed in September, 1953 and may be in need of a rest or consolidation before the advance is resumed. This applies particularly to individual stocks. Many have advanced sharply and have reached their upside objectives. They do not appear too vulnerable but rather need a period of consolidation or re-accumulation before resuming the long-term uptrend. While this is occurring, many other issues that have not yet reached their upside objectives may continue their advance. Still other issues may continue to do little or nothing marketwise and still another group might decline sharply, although the number in this group appears relatively small. In other words, it appears that the "one way" market of the past nine months may be replaced by a wide trading range with even more selectivity than that witnessed in the recent selective advance.

Price Diversion Again

The market pattern I envision over the next year or so may be very similar to that of the period between September, 1951 and September, 1953 when the averages held in roughly a 13% range between 295 and 255 but during which period individual issues followed extremely diverse price patterns.

The price action during that period could have been roughly broken down into four categories or groups and price action over the foreseeable future may follow about the same pattern.

Group A included many of the growth issues that advanced sharply from 1949 to 1951 or 1952 and then underwent a long period of consolidation before resuming their advance and reaching new high territory. Many of the leaders of the recent advance were in this group. For example, duPont rose from a 1949 low of 42 to a 1951 high of 102 and then spent approximately 28 months in the 102-79 range in preparation for the recent rise to 143½. As another example, Minneapolis Honeywell advanced from a 1949 low of 22 (adjusted) to a 1951 high of 57 and then spent 16 months in the 46-57 area before resuming its advance to the recent high of 99½. Minnesota Mining advanced from 17 (adjusted) in 1949 to 54 in 1951 and spent some 16 months in the 39-49 range before resuming its uptrend to 70. National Lead advanced from a 1949 low of 9 (adjusted) to a 1951 high of 33 and then spent two years in the 33-26 area before resuming its uptrend to the recent high of 51½. Many other examples could be cited of issues that spent long consolidating periods before resuming their advance. To mention a few—International Paper, National Cash Register, Scott Paper, Westinghouse Electric.

Continually Advancing Issues

Group B includes issues that continued to advance while other issues were consolidating during the 1951-1953 period. For example, Carrier Corp. advanced from a 1951 low of 22 to a 1953 high of 45 and has since continued its advance to the 1954 high of 62. Continental Can advanced from a 1951 low of 32 to a 1953 high of 56 and has continued its advance to a recent high of 71⅜. Douglas advanced from a 1951 high of 36 and has continued its advance to 78. General Electric advanced from a 1951 low of 18 (adjusted) to a 1953 high of 25 and has continued its advance to 48½. Other examples of issues that advanced during the 1951-1953 consolidating period would include Boeing, Bullard, C.I.T. Financial, Commercial Credit, Florida Power & Light, Gillette, Gulf States Utilities, Houston Light & Power, McGraw Electric, National Dairy, Seaboard Airline, Southern Railway and Texas Utilities.

Issues Declining to New Lows

Group C would include those issues that declined during the 1951-1953 period and reached new lows in 1954. Some have shown certain signs of a possible change in trend recently. Just a few of these issues are American Viscose from 78 to 31, Case from 36 to 15, Celanese from 58 to 17, Electric Storage Battery from 46 to 24, National Distillers from 36 to 17, Masonite from 36 to 17 and New Jersey Zinc from 82 to 38. At the present moment, there are only a few issues with vulnerable patterns as compared with a relatively large number in 1951-1952.

Some Do-Nothing Issues

Group D would include those issues that did little or nothing marketwise in the 1951-1953 period and in some cases since 1949. Some of the issues in the "light blue chip" category have shown much better action since September, 1953 and some have advanced to new high territory. To mention a few—American Potash, Babcock & Wilcox, Black & Decker, Cornell Dubilier, Cutler Hammer, Mead Corporation, National Gypsum, Penn-Dixie Cement, Shamrock Oil, Sperry Corp. and Yale & Towne. Other issues have done little since reaching their 1951-1952 highs. Some of the chemicals like Dow and Monsanto and many of the oils are in this category. Some of the potential advancing issues of the next year or so may be found in this group and in Group C.

In conclusion, I do not believe that the market is vulnerable to a sharp decline despite the rapid advance we have witnessed over the past nine months. I do believe, however, that some pause or consolidation is needed and that the straight line advance in the averages will be replaced by a wide trading area in which individual issues will show extreme selectivity. I would expect that for the next 6 to 18 months the Dow-Jones industrial averages will hold in an area bounded roughly by 350 and 300. During this period, many issues could continue their advance while others consolidate and form re-accumulation areas.

This in no way changes my thoughts that the market is in a long-term advancing phase. From a technical approach, there seems little likelihood of a major decline in stock prices in 1954. For the long-term investor, I advise retention of common stock equities that will ultimately benefit from the continued long-term growth of the country. This, as always, will require careful selection not only as to quality but as to price level. After the consolidating period has been completed, I expect a renewal of the advance with an ultimate objective, in about 1960, of 450 to 500 under normal market conditions and 600 or higher in a period of speculative excess.

Chemical Enterprises Elects New Directors

Julian A. Space, Jr. and J. C. Berry have been elected directors of Chemical Enterprises, Inc., it has been announced. Mr. Space is Executive Vice-President and a director of Johnson, Lane, Space & Co., Inc., investment bankers of Savannah, Ga. Mr. Berry is President of Louisiana Liquid Fertilizer Co. and is currently serving as President and General Manager of a number of Chemical Enterprises' affiliates, including those in Louisiana, Texas, and the Pacific Northwest.

Shearson, Hammill Branch

LA JOLLA, Calif.—The firm of Shearson, Hammill & Co., member of the New York Stock Exchange and other principal exchanges, announces the opening of an office at 7863 Ivanhoe Avenue, with Harper C. Olmstead as Manager.

Continued from first page

As We See It

seductive banner of convertibility. Let us take a closer look at what is being said and planned. Sterling, of course, is a key currency in any convertibility program. British authorities are said to be looking forward to the day when something they call convertibility may be restored. Serious conversations are reputedly going forward with the idea of working out plans in conjunction with the other nations of the world concerned. Foreign exchange and gold reserves are being accumulated and studied with the purpose of coming to some conclusion as to whether it would be safe in existing circumstances to undertake to make sterling "convertible." The British have, according to report, been "feeling us out" about lending funds for the establishment of an enormous reserve fund to defend sterling in the event of establishment of "convertibility."

And what is this thing they call "convertibility"? There has, of course, been no official account of precisely what is planned or at least being considered. But unless all reports, including accounts in so reputable a publication as the London "Economist," are grossly misleading, no one is even considering a system in which any Britisher living on the British Isles could buy dollars with his pounds. This "convertibility" as now envisaged would apply only to sterling owned by nonresidents. A little study soon reveals that this rather suavely admitted restriction is by no means so innocuous as it may sound to the uninitiated.

A citizen of the United States, for example, would be permitted to convert any pounds that he acquired "on current account" into dollars or any other currency he desired, but how would he come by sterling? The British importer can now, and could then, buy, say raw cotton, from the United States only after obtaining a permit to do so. But permission to import is tantamount to permission to buy dollars to pay for the goods imported—and the American would certainly prefer the dollars to pounds. It would be naive indeed to suppose that the Britisher would be permitted to buy freely from, say the dollar area, paying for his purchases in sterling which upon transfer to the alien could at once be sold for dollars.

Trade Must Be Free, Too

The long and short of this is simply put. "Convertibility" of currency is meaningless so long as there is control of international trade in goods and services. The thing that is claimed for "convertibility" is that it would permit free international interchange of goods and services in such a way that international division of labor might be encouraged for the benefit of all. But if what is granted in the foreign exchange market is withheld in the market for goods and services, what has been gained? There is nothing esoteric or hidden about all this. The better informed and more outspoken members of the British press have been quite frank about it all. The wonder is that so much enthusiasm seems to remain in so many minds about what is being planned in the name of "convertibility."

What is happening here happens distressingly often in human affairs. We are not able or willing to do what is necessary to have the substance; we accept the shadow and succeed at least for awhile in convincing ourselves that we really do have the substance. What would be required for real convertibility and to establish a basis for reasonable hope of continued real convertibility is well enough known to those who have given the subject mature thought, and there are all too few in the world today willing to pay that price for convertibility. Real and permanent convertibility requires what the economist terms equilibrium conditions among the nations of the world. That in turn requires a willingness on the part of all nations to permit natural forces operating in the international sphere to take full effect at home.

This in turn would mean an end to managed economies generally. It would require that wages be flexible—as are profits at all times. It would require that costs govern the distribution of trade, and that all elements concerned with production and distribution be willing to enter the field of international trade expecting only a fair field and no favors. It might mean some adjustment in exchange rates if they are too high or too low to begin with—that is out of line with established cost relationships or past commitments—but it would mean a determination in the future to make necessary adjustments, or rather to permit nature to force needed adjustments within the economies of the various countries rather than undertake to cut prices by means of competitive devaluations of currencies.

But where is the country willing and ready to undertake such a program as is thus suggested. There may be one or two somewhere in the world, but we must confess we should have difficulty in naming them off-hand. Certainly most if not all of the more important nations of the earth would shun any such procedure at this time as if it were the plague—and that goes for the United States of America! It was Franklin Roosevelt who shocked the world in 1933 by saying in effect that he preferred to manage the economic affairs of this country as he thought best without the limitations and restraints that would be imposed by opening our gates to foreign competition or by the necessity of keeping our affairs on an even keel with those of the remainder of the countries of the world. It may be questioned whether the then President really understood the implications of what he was saying—but he said it, and the general ideas he conveyed have become accepted and worshipped by all too many.

Let us not be misled by the high-sounding term "Convertibility."

Wesley Roberts Joins Lehman Brothers

Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange, announce that Wesley Roberts of Holton, Kansas, public relations and publicity consultant, and former Chairman of the Republican National Committee, has become associated with the firm as a public relations consultant.

Mr. Roberts, graduate of Kansas State College, and former Kansas Editor and publisher, served during World War II with the United States Marine Corps. In 1952 he was the recipient of the Pi Kappa Alpha distinguished service award as man of the year.

M. G. Kletz Co. Opens

Michael G. Kletz is engaging in a securities business from offices at 30 Rockefeller Plaza, New York City, under the firm name of Michael G. Kletz & Co., Inc.

Eddy Bros. to Be NYSE Member Firm

HARTFORD, Conn.—Donald M. Snell on July 15 will acquire a membership in the New York Stock Exchange, and become a partner in Eddy Brothers & Co., 33 Lewis Street, members of the Boston Stock Exchange. The firm will then become members of the New York Exchange, also. Partners will be Welles Eddy, Howard H. Eddy, Paul Thoren and Donald M. Snell, general partners, and Stanley R. Eddy, limited partner.

Wm. E. Pollock Co. Adds Kelly to Staff

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, have added to their staff in the institutional sales department James J. Kelly.

NY Security Dealers Elects Members

The New York Security Dealers Association announces that Vermilye Brothers and George A. Rogers & Co., Inc. have been elected to membership in the Association.

John Edward Gray

John Edward Gray, 51, Assistant Director of the New York Stock Exchange's Department of Stock List, died suddenly on Sunday, July 4, at his home.

Mr. Gray began his business career with the Stock Exchange as a messenger boy in 1918. In 1922, he was tranferred to the Department of Stock List, which supervises the Stock Exchange's relations with its listed companies, as a clerk. By 1939, he had risen to the position of Chief Examiner, and in 1945 he was made Assistant Director of the Department of Stock List.

S.W. Bond & Share Formed

HOUSTON, TEX. — Southwestern Bond & Share Co., Inc. has been formed with offices at 1007 Preston Street, to engage in a securities business. Arthur R. Gilman is a principal.

R. L. Stewart Forms Co.

SAN ANTONIO, Tex.—Richard L. Stewart has formed R. L. Stewart & Co. with offices at 303 Devoshire Street, to engage in the securities business.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Volume and activity in the Government market, according to advices, has picked up rather substantially because there is an improved demand appearing for both the intermediate and longer-term Government securities. The movement at this time seems to be in the direction of lengthening maturities, with opinions rather strong in some quarters now that rates of the more distant obligations will seek lower levels in the not too distant future. Likewise, it is reported that not a few money market specialists also believe that short-term interest rates have gone about as low as they will go and a turn up in the yields of these securities in not too long a period of time is anticipated by some.

The commercial banks continue to make larger commitments in the intermediate and longer-term issues. Although the greater part of these purchases come still from switches, there is evidence to the effect that increasing amounts of new money is being invested in these two sectors of the list.

Long Bonds Deemed Attractive

One of the reportedly important developments in the Government market which has been the direct result of the lowering of reserve requirements of the commercial banks has been the acceleration in switches from the shortest-term obligations into the more distant maturities. There appears to be a growing feeling that the time is now opportune to move out of the shortest maturities because short-term rates appear to be about as low as they are likely to go for the present. To be more emphatic about their opinions on the trend of near-term rates, some money market specialists are predicting that these rates will shortly be on the way up to higher yields.

It is being pointed out that the very large demand for short-term securities will be taken care of, in the not too distant future, either by open market operations or by specific Treasury offerings. Such a development will supply the needs of those that must have near-term obligations. This in itself could bring about higher rates for the near-term issues. Accordingly, not a few institutions which have large holdings in short-term Government obligations have shown greater interest in cutting down these positions by shifting into the more distant issues.

Price Enhancement Possible

Along with these opinions about what could happen to short-term rates comes the belief that yields of the longer-term Governments will seek lower levels. Not only is the shifting from the shorts into the longs given as one of the prime reasons for such a development taking place, but also there appears to be an important amount of new money being put to work in the most distant Treasury obligations. Up to now, the movement into the more distant Treasury issues has been on not too large a scale, and for that reason not too much of an impression has been made upon prices of these securities.

Likewise, there have been quite a few sellers around and they have shown a willingness to let go of the longest maturities even though quotations were gyrating in a rather narrow trading range. It is now reported that the bulk of this kind of selling has been completed and likewise not a few potential sellers have withdrawn from the market. All of which seems to add up to an improved technical position in the longer-term Treasury market and this, according to certain money market specialists, in time will mean better prices for the more distant maturities.

It is also reported that the large money center banks have not only been more active in the intermediate term obligations, but they have likewise been taking positions in the longest eligible Treasuries. This appears to be a modification of policy in some instances, because a great many of these institutions had not seen fit previously to go out any further than the intermediates. To be sure, the bulk of the deposit bank buying in the longer-term Governments is still being done by the smaller out-of-town institutions. State and municipal funds, however, still dominate the long-term Treasury market.

Market Favorites

Although most of the longer-term issues have had what is termed pretty fair buying, it is indicated that the Vic's and the bank 2½s of September, 1967-72, have been the favorites of those that are taking on positions in the higher income obligations. Despite the new highs which have been made in the 3¼s of 1978-83, there are reports of come good sized swops being made out of this bond in the longest-term 2½s.

In the intermediate-term obligations, it is indicated that the 2½s and 2¾s of 1961, have considerable of a following, with the 2⅜s of 1958 not without an important number of friends either. The 1⅞s of Feb. 1, 1959 as well as the 2¼s of 1959-62 have also been in the swing of things. The demand for the middle-term issues appears to be quite broad.

Four With Security Assoc.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla. — Ganson L. Bieder, William E. Comstock, Kingsley E. DeRosay, Jr., and Arthur U. Mattson have been added to the staff of Security Associates, Inc., 137 East New England Avenue.

With First So. Inv.

(Special to THE FINANCIAL CHRONICLE)

BOYONTON BEACH, Fla. — Walter W. Kasdorf, Richard T. High and Viron E. Payne have become affiliated with First Southern Investors Corp., Southwest First Avenue.

Now Grove-Simms Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — The firm name of H. M. Grove & Associates, 801 Euclid Avenue, has been changed to Grove-Simms Investment Co. Robert M. Watson has recently become associated with the firm.

Wagner, Stott Partner

Bernard Dorman on July 15 will acquire a membership in the New York Stock Exchange and will be admitted to partnership in Wagner, Stott & Co., 11 Wall Street, New York City, New York Stock Exchange member firm.

Continued from page 9

Transactions in Clearing Currencies

favor of the American coal shipper. Both letters of credit, also known in the trade as "back-to-back-letters-of-credit," were payable against the same set of usual shipping documents, except that the Italian letter of credit also called for presentation of a copy of the Egyptian license.

The Dollar Conversion

Having separated the different legal and technical steps of the whole transaction, I certainly have to tell you how in full observation of trade ethics, we finally retrieved our dollars from the deal. Our license in Egypt created a special Egyptian pound export account in our name in the Banque Zilkha in Alexandria, Egypt, by surrendering the Italian-Egyptian Clearing to the Central Exchange Control. This special export account was used for payment of export of cotton to any country and by this procedure the dollars were recreated.

In this highly ethical as well as completely legal transaction, we, the American Nile Corporation, had to assume many functions. As Merchant Bankers, we had to extend a dollar-credit to the American coal shipper. As Foreign Exchange Dealers, we had to plan and to perform the conversion from Italian - Egyptian Clearing over cotton exports into U. S. dollars. As bankers and Financiers in Egypt, we had to secure all legal permits necessary for the transaction and finance it. But, finally everybody profited from the deal.

The United States shipped 200,000 tons of coal abroad.

The New York exporter sold the combustible at the price he wanted and got paid with about $2 million in American currency.

The Italian public utility concern got the needed coal without disbursing hard currency, by defreezing Italian Clearing balances in Egypt.

Egypt not only saw her Clearing debt to Italy reduced, but sold additional cotton abroad and, furthermore, could resume purchases of Italian merchandise.

Rolling off the absolutely documentary film of this transaction, I have tried to show you that this kind of Clearing business is not only basically legitimate, but also that it is approved as well as welcomed by the officials of the countries involved or participating in the transaction. And I also want to stress that all operations forming this deal went through official banking channels and could not be paid in banknotes. Full and clear daylight, no shade whatsoever, covered every detail of the transaction. And observance of ethics paid all participants in the affair.

Tolerations as Foreign Trade Rule

In the preceding description of the American coal deal to Italy, I have shown you a classic example of fullest legality. Nevertheless, there are, as you all know, other aspects of Clearing deals, in which there is some apparent deviation from the ethics that I have tried to stress before. These deviations, principally involve the change of documents or the issuance of new shipping documents *"en course de route."* These changes did not state accurately what was happening to the merchandise. Sometimes the cargo or the parcel had been actually transferred at some intermediate port, and even repacked, or new documents were issued in a transit harbor. It happened, for instance, that a shipment afloat from Sweden to Brazil was diverted to Hamburg, where new papers were issued to clear the export to the United States. Or it occurred that goods originating in Pennsylvania were directed to Antwerp or to Hamburg from where they were transshipped to Brazil. These imports cleared without any hurdle, whatsoever, in Rio.

The question arises in every legal mind: Are these changes of documents a trespassing of the law? Are they sufficient to make the whole operation an illegitimate one?

I would be inclined to believe so, if the laws and regulations governing the trade in Clearing currencies were rigid and permanent like the penal codes of civil legislation. But, and this is a big but, these currency laws are extremely elastic and subject to constant changes. They are eased, withdrawn or reinforced constantly and the governments handle them with only one goal in view—the advantage of their own economic systems.

It is, therefore, necessary to understand that every transshipment and/or change of shipping documents is not only known to all parties involved in the Clearing deal, but also to all Governments who license it. And the proof of this assumption lies in the fact that the transaction can be liquidated only if the authorities—Central Banks, Customs and others—continue to tolerate these forms of export and import. It is not more and not less than the **handling of an economic safety valve by** monetary administrations who have to cope as best they can with shortages of hard and surpluses of soft currencies, commodities, and manufactured products. This tacit legalization of not completely orthodox imports, justifies its means and makes the transactions completely ethical and legal from the traders' or dealers' point of view.

I even would say that this cooperation of Central Banks with the clearing trade has given outstanding results for all countries involved. It has moved merchandise and crops; it has helped to increase employment; it has helped countries to produce goods with machines they never would have been able to import and to pay for with hard currencies, because they simply did not have it. And if a country or its officials lower import or export barriers in easing Clearing regulations, or let's call it realistically closing eyes on certain practices of the trade, then the trade becomes legal as well as ethical, as no administrative authority opposes it.

Don't overlook the fact that the use of Clearing Currencies involved in every merchandise transaction must be fully and widely approved by the Exchange authorities. They, and they alone, keep the accounting books of the Clearings. They are the only ones who make the final transfer of Clearing balances and could oppose them without any recourse. Therefore, I believe, they know what they are doing in legalizing the final transfer of a Clearing operation, which, to the layman, might have involved some technical details that seemed strange.

Permit me, in this connection, to examine a few other and practical aspects of recent commercial developments.

The Brazilian-Japanese Clearing

A great number of trade discussions centered recently on the subject of Japanese manufactured products presumably shipped to Brazil. The most popular products of such transactions were Japanese silk scarfs, cotton prints, floor coverings, beads and toys. These goods were sold by large and responsible Japanese concerns to the United States and were paid

from Brazil to Tokyo in the Japanese Clearing.

At the beginning of this year, Japan had an adverse Clearing balance with Brazil. The deficit, in favor of Rio, was not less than 23 million Clearing dollars. Japan had bought quantities of Brazilian cotton and sugar and Brazil's purchases of Japanese products were extremely small during this period. Both countries tacitly agreed to do everything possible to reduce the Japanese Clearing debt as fast as possible.

Therefore, both Central Banks as well as all other financial control services must have welcomed the inventiveness and the skill of Clearing Dealers who substituted American buyers for the lack of Brazilian importers of Japanese goods.

Arrangements between Japanese exporters and American importers were made with full cooperation of Japanese domestic banks, which are under complete exchange supervision of the Japanese Foreign Exchange Control. Telegraphic transfers of credit from Rio to Tokyo were made through regular banking channels and with full approval of Brazilian authorities.

With the help of these transactions, the Japanese deficit in its Brazilian Clearing trade was reduced from 22 million to only 2 million Clearing dollars within four months.

I believe you will agree with me that Japanese officials could have stopped these triangular transactions at any time they wanted to. In other words, they could have put certain restrictions to make it more difficult to legally ship merchandise from Japan to Brazil via the United States.

And I also have to report that the new Brazilian-Japanese trade and payment agreement is another Clearing treaty. It allows a "swing" or leeway of 10 million Clearing dollars and will enable Brazil to sell large quantities of her new cotton crop to Japanese spinners. As the liquidations of the preceding Japanese deficit of trade via the United States seems to have made everybody happy, no danger of final liquidation of the new treaty is expected either by Tokyo or by Rio.

Clearing Currency on Future Delivery

The only technical change that took place since the functioning of the new Brazilian-Japanese trade treaty is an interesting perfection of dealings. These Clearing balances are being sold now for spot as well as for future delivery in international markets. Future deliveries at 30, 60, 90 days are dealt with at a larger discount than the spot. These discounts vary according to supply and demand. Useless to say that all such dealings are no secret, whatsoever, and fully known to the Currency authorities in their respective countries for which reason they have to be considered as white, legal and absolutely ethical.

And now, before closing this wide analysis of applied moral science in Clearings, let me give you one more fact as seen from the Dealers' trading table. We dealers, traders or arbitrageurs of Clearing curencies, who buy, sell or switch Clearing balances to facilitate the movement of commodities or of merchandise, believe that we do an important and highly necessary job. We are convinced that our business is legitimate and if Baruch Spinoza could re-write his rather rigorous volume of "Ethics" today, he would give a clean bill of philosophy to the Clearing trade.

In every Clearing transfer, especially in countries with Foreign Exchange Control, the exchange can only be purchased or sold through authorized banks from the Central Bank. For this reason, the Central Bank itself becomes a party to the Clearing transaction. And, according to the most stringent traditions of Roman, English or Napoleonic law, the legislator himself, as a partner, makes dealings automatically legal.

I hope that I have given not only the legal facts behind the Clearing business, but that I also gave you a few points of view that will modify your thinking.

Securities Salesman's Corner

By JOHN DUTTON

An Opportunity to Create Good-Will Among Customers

Within the very near future, possibly a week or two, a final decision should be forthcoming on a very important bill that can bring about favorable changes in taxation pertaining to corporate dividends, if it is enacted in substantially the same form as initially approved in the House of Representatives as H. R. 8300. For many years investors have been unfairly penalized by double taxation on their dividends received from investments in common stocks. At last there is an opportunity to do something about it. Congress' approval of the proposed relief from the double taxation of corporate earnings will help the country, will help the investment business, and will directly help those who obtain all or part of their income from common stock investments.

Your Customers Might Like to Hear From You

This is a time when you can bring a message to your investor clients that will directly concern them and will be received by them with considerable interest. The Investor's League, Inc., 175 Fifth Avenue, New York 10, N. Y. have prepared a brief two-page printed folder that is entitled "An Important Message to Stockholders." Mr. William Jackman of Investor's League has informed me that the organization will make these folders available to readers of this column in limited lots without charge and in larger quantities at cost. This well-written little folder urges investors to write their United States Senators now and suggests that their friends also do so. It gives illustrations as to the way stockholders can reduce their taxes if this bill is approved. The names of all the U. S. Senators by states are printed on the back page of the folder and it can be used effectively by brokers and investment dealers in every state.

Tie Yourself In With This Progressive Legislation

One of the most effective methods of building and keeping a clientele of investors, apart from the always present obligation of doing a good job with their accounts, is to constantly show an interest in their welfare which transcends the immediate task of selling securities. What most people are buying is *income* when they invest in common stocks—either more income now, or in the future, or both. If this legislation is approved it will mean an increase in the "take home" pay of many of your customers that will be quite substantial. This is a time when you can show them that you are thinking about their welfare, even when you are not doing business with them.

Write a short letter and tell your clients and your better prospects that you believe this bill, if passed, will help them. For this reason you are sending them the enclosed folder and you suggest that they write a card, or letter to their Senators and tell them that they favor this bill and hope it will have their support. The folder will tell them how this legislation will help them to receive more income from their common stock investments.

The Lord Helps Those Who Help Themselves

There are at least six million stockholders in this country and possibly there are several million more who own stock in small local companies. This is quite an army of voters and most people who own common stocks do vote. Every shareholder has at least one more vote in the family or can enlist the support of friends and business associates. There are those who oppose any tax relief for business and for investors. These groups are never inactive when any legislation arises that can be beneficial to them. This is the first opportunity in many years that investors and businessmen have had an opportunity to obtain some revision of the injurious and unfair taxation that has been their lot. A deluge of letters directed in favor of H.R. 8300 would be most helpful at this time. Let's make an effort on this —everyone will benefit if this bill becomes law.

What Has Happened To Our Self-Reliance?

"Involuntary total or partial idleness on the part of a substantial number of workers and underutilization of productive capacity would be undesirable under any circumstances. They are inexcusable in a perilous world situation in which the most effective use of manpower and capacities concerns not only the comfort but also the security and possibly the survival of the nation.

* * *

"If demand and production should continue over some time to move considerably below a full employment level, it is likely that the existence of idle capacity would make business more reluctant to go ahead with expansion plans. Thus, a sidewise movement of business is possible only for a limited period of time. It would be likely to lead to a new downturn if continued over an extended period.

* * *

"The situation is much more serious than most people think. A shift from rising defense spending to declining defense spending is a major adjustment. Nothing the government has done so far takes care of that."—National Planning Association.

Must "the government" take care of everything? The most effective thing "the government" can do is to get out of the way and stay out of the way.

Continued from page 13

IBA Committee Reports on Local Service Air Transportation

ernment of the local service subsidy burden may be visualized in a general way by comparing net profits of the trunk carriers, which aggregated $50.2 million (excluding Pan American Airways) in 1953, with the subsidy to local service carriers in the 1953 fiscal year, which totaled $21.9 million. It is important to note, however, that trunk line profits have declined sharply in 1954.

"When the Civil Aeronautics Act was passed in 1938, the primary purpose of the Act was to encourage the sound development of air transportation in the United States. For many years the Act was regarded as an exceptionally fine piece of legislation, and it has been most effective in accomplishing its major objective. In recent years, however, the interpretation of the Act appears to have taken on an increasingly restrictive character, to such a degree that, in our opinion, the carriers operating services requiring government financial support are not receiving the income necessary to enable them 'to maintain and continue the development of air transportation to the extent and of the character and quality required for the commerce of the United States, the Postal Service, and the national defense.'

"We believe that investor confidence in the air transportation industry is at one of the lowest points that it has been since the Civil Aeronautics Act was passed in 1938, and we believe that prompt action by the Administration and the Congress is needed to restore investor confidence in this essential industry.

Recommendations

"We have a number of recommendations to make in regard to government regulation of the air transportation industry. First, we think there should be some *rearrangement of the government departments and agencies* having jurisdiction over civil aviation; secondly, we suggest that certain of the rate-making *procedures* now employed by the CAB be changed; thirdly, we believe that a few of the Board's *policies* should be revised; and we have several other recommendations that do not belong in any specific category.

"We would like to make it clear that no criticism of any individual member of a government department or agency is intended or implied. Our recommendations are meant to be constructive and not destructive.

"It will be obvious that compliance with some of our recommendations would require amendment of the Civil Aeronautics Act. We consider the Act fundamentally sound, and do not believe that such amendments as may be needed at this time should alter its basic principles.

Suggested Rearrangement of Government Departments and Agencies

"(1) The re-creation of the Civil Aeronautics Authority is recommended. We feel that the Authority should have in it all of the Federal agencies having jurisdiction over civil aviation as their primary functions. This would include the Civil Aeronautics Board, the Civil Aeronautics Administration (possibly re-named the Civil Air Technical Administration, in order to more clearly differentiate its duties from those of the CAB and at the same time provide initials which would not be confused with those of the Authority) and a new office to be called 'the Office of the *Civil Air Contracts Administrator*.' We suggest that the Secretary of Commerce be Chairman of the Civil Aeronautics Authority, in order that civil aviation will have a voice at the Cabinet level. But we do not suggest that he have any administrative control over the CAB, which should maintain its independent judicial status. The extent to which the Secretary of Commerce should have administrative control over the other bureaus in the Authority, is not a matter on which we have any strong opinions.

"The recommendation about which we feel most strongly, is that concerning the creation of the Office of *Civil Air Contracts Administrator*. To this office we would transfer the CAB's rate-making section, and also the Board's responsibilities for direct financial payments to carriers (now called mail subsidies). We believe that many of the problems now plaguing air transportation stem from the fact that the CAB is over-burdened and has always had great difficulty in keeping up with the many matters it is called on to decide, and we believe that the Board could be much more effective in developing a sound air transportation system for the U. S., if it were relieved of some of its other responsibilities.

"We suggest that the CAB retain the responsibility for determining which air transport services are required in the public interest, and which carriers should be certificated to render these services. In addition, we believe that the CAB should retain final jurisdiction over the tariffs to be charged the traveller and the shipper (including the Post Office Department). We would expect that the *Civil Air Contracts Administrator* would act as consultant to the Board in these matters in addition to carrying out his primary responsibilities as outlined above.

"In cases where the income of the carrier, provided under the tariffs established by the Board, is insufficient to enable the carrier to render the air transportation services required in the public interest, we would have the carrier apply to the *Civil Air Contracts Administrator*—not to the CAB—for financial assistance. We would have the required funds paid to the carrier under the authority of this official, and we would have him primarily responsible for presenting to the Congressional appropriations committees the need for appropriations to cover these payments.

"There are two main advantages to the proposed division of responsibilities between the CAB and the *Civil Air Contracts Administrator*. First, the CAB, relieved of many time-consuming financial duties, could expedite its other important work. Secondly, the Administrator would be free to give full time direction to the financial negotiations between the carriers and the government. (He should definitely not be a member of the CAB and thus required to sit through the lengthy hearings in which the members of that body are almost continuously occupied.) Anyone who has conducted business negotiations with an agency headed by a five-man board, would recognize the advantages of doing business with an organization headed by a single responsible official. Much of the legalistic procedure which now accompanies rate-making negotiations could undoubtedly be eliminated by the change we suggest. The concentration of responsibility and authority in a single official, where matters of financial administration are concerned, is in accord with the cardinal principles of sound business practice.

("In testing out this proposal before its inclusion in this report, we found that a number of those with whom it was discussed felt, initially, that the control of contracts totaling approximately $75,000,000 annually, might be too much responsibility for one individual. Because this comment was made so frequently, we feel it necessary to point out that many government officials have administrative responsibility for larger expenditures. Obviously the position of Civil Air Contracts Administrator would be an important one. It should rank equally with the position of CAB Chairman, in our opinion.)

Regulatory Procedure

"(2) We suggest that the present system of paying subsidies as 'mail pay' be terminated. While the President's Executive Order No. 10 separated mail 'service pay' and 'subsidy,' both are still called 'mail pay' under the provisions of the Civil Aeronautics Act. In our opinion the U. S. Government should recognize a direct obligation to provide financial support for the carriers which have insufficient commercial revenues to permit them to render the services which they are required to perform. The 'mail subsidy' designation, which was applicable when the airlines carried mostly mail, is no longer appropriate.

"(3) The present method of compensating carriers is based on the principle of 'need.' The carrier is required to demonstrate *need* for the direct financial aid which it receives from the government. We do not recommend abandoning the principle of determining subsidy by evaluating 'need,' although there are other principles that might be considered. Regardless of the principle applied, we believe certain changes should be made in the procedure for making payments to the carriers. We find the present system, which involves the payment of 'temporary rates' to some carriers and 'final rates' to other commingled with the so-called 'sliding scale incentive' system in some cases and flat rate payments in others, rather confusing. It is extremely difficult for shareholders and security analysts to evaluate the financial results of the carriers in the face of these complexities.

"We recommend that a single type of rate (based on an estimate or a formula) *including allowance for profit and taxes* be established for all carriers receiving subsidy and that payments for services rendered be made to the carriers as the required services are performed. Excessive earnings, if any, could be recaptured later by a renegotiation procedure, and we suggest that an effort be made to have this renegotiation done 'in the field' in order to reduce the amount of time and expense management is required to spend in Washington.

"When contractors to the government are subject to having their profits adjusted by renegotiation, they frequently make voluntary repayment of excessive profits in advance of renegotiation so that the adjustments when made are not significant, and have very little effect on reported earnings.

"(4) We would favor the use of incentive contracts incorporating the principle that the contractor and the government share in savings effected by the contractor as compared with estimated costs, and the contractor suffers some penalty for inability to control costs. We do not be-

EXHIBIT K

Some Important Expenditures by the U. S. Govt. in Support of Broad National Objectives

(Fiscal Year of 1953)

Aircraft Purchases:	(000's)
Air Force	$5,586,000
Navy	1,735,000
Army	95,000
	$7,416,000
Foreign Aid:	
Mutual and Military Program	$3,954,000
Economic and Tech. Development	1,960,000
	$5,914,000
Aid to Agriculture:	
Stabiliz. and Loans Price Support	$2,684,000
Repayments	455,000
	$2,229,000
Aid to Shipping:	
Operations	$55,000
Construction	146,000
	$201,000
Air Transportation Subsidy:	
Internat'l Carriers	$49,800
Local Serv. Carriers	21,900
Alaska & Hawaiian	8,800
Domestic Trunks	4,200
Helicopters	*1,621
	$77,321

* Payments to helicopter companies in fiscal year 1953 were classed as service pay. If same method of accounting as employed in 1954 were used, subsidy to helicopter services would have been as indicated.

Note: According to figures prepared by Rep. Frank Bow of the House Appropriations Committee, air transportation in 1953 yielded the government a net profit, as follows:

Expenses:	Million
Mail Pay	$54.0
Subsidy	75.7
Airway Operations	11.5
	$141.2
Revenue:	
Income Tax	$60.4
Fuel Tax	15.0
Misc. Excise Tax	1.8
Transp. Excise Tax	110.0
Postage	152.0
	$339.2
Revenues	$339.2
Expenses	141.2
Net Gain	$198.0

(Before P. O. handling costs, estimated at about $93 million.)

Source: "The Budget of the United States Government — 1955."

lieve that the present 'sliding scale incentive contract,' applied in the case of most local service carriers, contains adequate incentive features.

Policy

"(5) We recommend that present CAB policy, which limits the salaries of local service and helicopter executives for rate-making purposes, should be repealed. The efficiency of the carrier should be judged on the basis of overall cost in relation to the service performed. The salary paid the executives is only one of many detailed factors which determine the carrier's operating results, and should be decided by the carrier's directors, on the basis of normal business judgment.

"(6) The 'settled policy' under which the Board does not recognize in a carrier's 'investment base,' for rate-making purposes, capital in excess of three months' cash requirements, is inconsistent with the Board's frequently stated philosophy that the carriers should be soundly financed with equity capital. If equity capital is to be encouraged and debt discouraged, the decision as to how much equity capital is to be recognized in the 'investment base' should depend on the particular circumstances in each case and not on any such arbitrary limitation as is now in effect. As a practical matter, the problems of raising capital for government regulated subsidized industries are such that it is more likely that carriers will continue to have too little capital rather than too much, and the abandonment of the Board's restrictive 'investment base' policy would be most unlikely to increase the cost of government support for air transportation to any significant extent, while giving the carriers some incentive to attain greater financial stability.

"(7) The present limitation of 'return on investment' to a theoretical 8% which, after inevitable disallowances, leaves the carriers with something considerably less, is far too narrow a concept of the carriers' needs, in our opinion. Experience has shown that the carriers' retained earnings are too small to permit reasonable dividend payments and that far too little is left for the development of new types of equipment and for the improvement of service to the public. We recommend that a return on investment of at least 15% (after taxes) be allowed in the first instance, with provision for renegotiation to a somewhat lower figure, but not below 10%; and that funds expended for the development of new equipment for the benefit of the industry as a whole, be exempted from renegotiation.

Miscellaneous

"(8) We believe that the Civil Aeronautics Board, the local service carriers themselves and the trade associations that represent them have been deficient in not publishing accurate comparative financial statistics for the industry. The statistics which are issued from time to time are extremely difficult to understand and are highly misleading in many respects. We strongly urge that the CAB and the industry trade associations undertake the preparation and publication of accurate comparative financial statistics for all air carriers, reflecting retroactive mail pay adjustments.

"(9) The possibilities of reducing the cost of local service air transportation by elimination of unwarranted duplicate mileage, unnecessary services, etc., are, of course, under constant review by the CAB.

In addition, savings that might be effected by merging the local service carriers with each other or with trunk carriers will undoubtedly be explored. We recommend that, when mergers appear desirable, the Board rely more on financial incentives than on legal procedures to bring these mergers about wherever possible. Regulatory agencies often tend to think in terms of show cause orders and lengthy hearings to accomplish a desired result, and frequently overlook the fact that incentives may be more effective and less costly in the long run.

"(10) Where termination of an operation is indicated, a more liberal approach to termination compensation than has prevailed in the past, would also be effective, in our opinion. We believe that carriers faced with the possibility of termination have fought such action with every means at their disposal—legal and political—because of the fear that termination would mean closing an operation with a substantial loss. If it is determined that a certificated service is no longer required, it seems only fair that the carrier should be entitled to a 'decent burial.' This, in our opinion, the Board has been reluctant to give.

"(11) Finally, we believe that better cooperation between the military and civil aviation agencies of our government is desirable. In the development of air transportation equipment there are many common problems which could be solved more rapidly and at less expense to the taxpayer by joint action between military and civilian agencies and the carriers, than is possible by separate parallel efforts. Specifically, the helicopter operators with their unique experience in the operation of helicopters on schedule are ideally equipped to operate accelerated service tests on new type helicopters purchased by the military services. The experience gained from these tests would have many benefits to both military and civil aviation and would make possible big savings in *military procurement funds.* The helicopter operators, with the support of the CAA and the CAB, have offered to perform these services. The idea was endorsed by the Air Coordinating Committee in its Civil Air Policy report. However, there is still no evidence that a practical program for utilizing the know-how of the helicopter operators for the benefit of the military services will become a reality. We recommend that this matter be taken under consideration by top officials of the government concerned with inter-departmental coordination.

"We believe that investor confidence in those local service and helicopter air transportation companies that are rendering important public services, could be rapidly restored if the above recommendations were followed, and we believe that this could be accomplished without an increase in the overall cost of air transportation to the U. S. taxpayer."

Members of Committee

The following comprise membership of the IBA Aviation Securities Committee:

Wm. Barclay Harding (Chairman), Smith, Barney & Co., New York.

Henry W. Cohu, Cohu & Co., New York.

Richard W. Courts, Courts & Co., Atlanta.

Hugh Knowlton, Kuhn, Loeb & Co., New York.

Salim L. Lewis, Bear, Stearns & Co., New York.

Donald N. McDonnell, Blyth & Co., Inc., New York.

Cortelyou L. Simonson, Morgan Stanley & Co., New York.

David L. Skinner, Harriman, Ripley & Co., Inc., New York.

Murray Ward, E. F. Hutton & Co., Los Angeles.

Bankers Underwrite Bullard Stock Offer

The Bullard Company is offering its common stockholders rights to subscribe at $32 per share to 121,440 additional common shares on the basis of one share for each five held of record at 3:30 p.m. (EDT) on July 7, 1954. The subscription rights expire at 3:30 p.m. (EDT) on July 21, 1954.

An underwriting group headed by Merrill Lynch, Pierce, Fenner & Beane, Hornblower & Weeks and White, Weld & Co. will purchase any unsubscribed shares.

The company is planning construction of a new, highly mechanized foundry to produce the extensive variety of grey iron castings needed for its heavy machine tool products. Proceeds from the sale of the additional common shares and from other borrowings will be used to finance construction costs as they are incurred and the balance of such proceeds, if any, will be used to increase working capital and will be available for general corporate purposes.

The Bullard Company manufactures and sells distinctive types of power-operated heavy duty metal-cutting machine tools which are used in the automotive, electrical and numerous other industries whose finished products or component parts are made by metal cutting processes. On the basis of annual total dollar volume of sales in recent years, the company believes it is among the 10 largest of the many companies which are engaged in whole or in part in the production of metal-cutting machine tools in the United States.

Other members of the underwriting group include: Glore, Forgan & Co.; Harriman, Ripley & Co., Incorporated; Kidder, Peabody & Co.;; Smith, Barney & Co.; Coffin & Burr, Incorporated;; Estabrook & Co.; Putnam & Co.;; G. H. Walker & Co.

With Atwill & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Edward E. Kelly has become affiliated with Atwill and Company, 605 Lincoln Road. He was previously with Barham and Company.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Sheldon R. Rubin is now with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Winston B. Gardiner and Bernard G. Sarjeant have become associated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Both were formerly with California Investors and Standard Investment Co. of California.

Joins du Pont, Homsey Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Leroy H. Myrick has become associated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. Mr. Myrick was previously with Schirmer, Atherton & Co.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William Stern has been added to the staff of Francis I. du Pont & Co.

With Renyx, Field Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Donald S. Redker is now with Renyx, Field & Co., Inc., Carondelet Bldg.

Mutual Funds

By ROBERT R. RICH

While representatives of the investment company business and the New York life insurance agents discussed methods on Friday of overcoming the rancor that has developed between the two groups, a Columbus, Ohio, insurance company announced its plan to sell term life insurance together with the shares of a mutual fund which it had purchased some two years ago.

The Farm Bureau Insurance Companies, which own the Mutual Income Foundation of Detroit, will sell through their 3,600 agents periodic purchasing plans in the fund's shares covered with a reducing term insurance policy.

The plans are offered at a minimum of $50 down and $10 a month in subsequent payments, with an investment goal of $1,000. The insurance policy costs 75 cents a month per $1,000.

Meanwhile, last Friday, Dorsey Richardson and Edward "Ben" Burr, as representatives of the National Association of Investment Companies, met with Harry K. Gutmann and Jack Manning of the New York City Life Underwriters Association.

Mr. Gutmann, President of the Life Underwriters Association of New York City, and Vice-President of the Life Underwriters Association of New York State, worried about the inroads that mutual funds may make in the insurance business by offering combined "insurance-investment packages," had previously read off what amounted to a declaration of war against mutual funds.

The results of the luncheon, not generally disclosed, do indicate there was a great deal of pipe-of-peace smoking. For example, one of the investment company people will be asked to speak at the insurance underwriters meeting on Oct. 14 about the mutual fund industry.

REPURCHASES of Broad Street Investing Corporation, nearly doubled in the first six months of 1954 compared with the first six months of 1953, were offset by rising sales.

Repurchases for the first six months of 1954 amounted to $1,309,000 compared with $715,000 in the first six months of 1953. Repurchases in June amounted to $195,000, compared with $161,000 in May and $110,000 a year earlier.

Sales in the first six months of 1954 were $6,555,000, a gain of 75% over the same months in 1953.

JAMES H. ORR, President of The Colonial Fund, Inc., has announced that the 50-year old investment company, founded at Boston in 1904 with the name Railway and Light Securities Company, has been converted into an open-end company or Mutual Fund. Shares were first offered for sale on Friday, June 25. Total assets are $17.3 million.

The Fund received $4,937,929 last week from the sale of 335,002 additional shares earlier this month through a group of investment bankers headed by Stone & Webster Securities Corporation, the proceeds to the Fund being $14.74 per share.

In order that each outstanding share would have the same net asset value of $14.74 when the Fund commenced business as a mutual fund, a stock split was effected by the distribution of 2 additional shares for each 3 shares, and a cash distribution of 6 cents per share was declared from realized gains, on the Common Stock outstanding June 18.

The Fund is now available to investors as a mutual for the first time in its 50-year history. The objectives of the Fund, Mr. Orr stated, will be income and long-term growth. For the past year, common stock investments have been approximately 80% of the Fund's net assets and it will continue to be a fully managed fund.

Colonial Management Associates of Boston is the investment adviser, and Colonial Distributors, Inc., has been appointed national distributor. These two organizations serve in a similar capacity for two other mutual funds: Gas Industries Fund, Inc. and The Bond Investment Trust of America.

Both a periodic and dividend reinvestment plan are offered.

THE SEMI-ANNUAL report of American Business Shares for the six months ended May 31, 1954 shows net asset value per share of $4.25, as compared with $3.97 six months earlier on Nov. 30, 1953.

Common stocks account for 58.8% of the assets; 34.2% was invested in United States Government and other high-grade bonds; 4.8% in high grade preferred and guaranteed stocks; and 2.2% was held in cash.

In commenting on stocks held under present conditions, H. I. Prankard 2nd, President, states: "It has seemed to us that in the selection of common stocks we should avoid those of companies that were not in a strong competitive position. It has also seemed to us that we should avoid stocks where the market prices reflected too full a valuation of the companies' prospects. For some time now we have been adjusting our holdings with these things in mind."

Total net assets on May 31, 1954 were $34,212,001 compared with $35,507,940 on Nov. 30, 1953.

MASSACHUSETTS Investors Growth Stock Fund reports for the three months ended May 31, 1954 net assets of $50,828,353 compared with $40,226,925 at May 31 last year.

Net assets per share were $20.64, excluding a capital gain payment of 26 cents per share made in the current fiscal year, compared with $16.74 a year ago.

As of May 31, 1954 there were 2,462,102 shares outstanding as against 2,403,579 last year and 18,262 stockholders compared with 17,062 on May 31, 1953.

Portfolio changes for the quarter were:

Purchases

Company	Bought
American Republics Corp.	5,000
Colorado Interstate Gas Company	11,000
Dixie Cup Company	3,200
Ford Motor, Canada, Ltd. "A"	800
Kimberly-Clark Corp.	500
Motorola, Inc.	500
Northern Natural Gas Co.	4,223
Pfizer (Chas.) & Co., Inc.	7,000
Texas Gulf Producing Co.	10,000
Traders Finance, Ltd. "A"	2,500

Sales

Company	Sold
Emhart Manufacturing Co.	14,000
Johns-Manville Corp.	6,000
Marathon Corp.	8,000
Panhandle Eastern Pipe Line Co.	7,000
Rayonier Inc.	11,000
Reynolds Metals Co.	1,000
Standard Oil Co. of Calif.	10,000
Western Natural Gas Co.	6,000

Other Changes in Investments

1,175 shares International Bus. Mach. Corp. received in a 5-for-4 split-up.

25,500 shares Republic Natural Gas Co. received as 100% stock dividend.

TOTAL NET assets of Bullock Fund, Ltd., on May 31, 1954, the end of the fund's fiscal half-year, amounted to $17,855,611, compared with $14,876,997 on Nov. 30, 1953, a gain of nearly $3 million.

Asset value per share rose from $23 on Nov. 30 last, to $26.82 on May 31, 1954.

Hugh Bullock, President, told shareholders that the management has been reducing holdings of the more cyclical stocks and increasing those which provide a reasonable assurance of well-maintained earnings and dividends in the period immediately ahead. The next several months, in his view, should provide evidence of whether the current mild improvement in business is merely seasonal or marks a major upturn.

NATURAL RESOURCES Fund, for the six months ended May 31 last, reported net assets of $4,264,481 or $4.62 a share which compares with $3,604,493 or $3.95 a share on Nov. 30, 1953 and $3,840,074 or $4.25 a share on May 31, 1953, according to Frank L. Valenta, President.

In his remarks to the shareholders, Mr. Valenta emphasized that the great majority of industrial and government leaders believe the business readjustment is over.

He forecast a heavier consumption of natural resource materials calling attention to the large scale building program still underway in this country. Mr. Valenta said that the producers of natural resource materials will continue to benefit from the growth of the electronics and air conditioning industries, both of which are extensive users of basic materials.

THE CANADIAN economy is experiencing a mild and orderly decline while common stocks have staged a vigorous recovery according to a semi-annual report of Canadian Fund.

Reflecting increases in the value of investments, the total net assets rose to $26,689,784 on May 31, a new high for any reporting period, from $24,013,819 on Nov. 30 last, a rise of more than $2.5 million. Per share asset value of Canadian Fund increased to $12.96 from $11.12.

The report states that the Mutual Stock Exchange industrial stock average rose 14.4% in the period covered by the report.

The fund's holdings at the end of its fiscal half year were (1) oil and gas stocks 19.61%, (2) non-ferrous metals 16.77%, (3) pulp and paper 15.44%, (4) foods and beverages 10.23% and (5) public utilities 7.35%.

TOTAL NET assets of The George Putnam Fund of Boston were $83,200,000 on June 30, 1954, compared with $76,000,000 three months ago and $62,250,000 a year ago. Net asset value per share on June 30 was $20.75, after payment of a 20 cent dividend, compared with $19.46 three months ago and $17.84 a year ago.

Sales of new shares during the second quarter totaled over $3,400,000, a 40% increase over last year. Repurchases were higher than a year ago in dollar volume, but showed little change as a percent of average net assets. Net new money received by the Fund during the second quarter showed an increase of 47% over a year ago.

National's 6-Month Sales At 28 Million Dollars

Sales of the National Securities Series of Mutual Funds for the first six months this year totaled $28,009,355, the highest half-year sales in history and an increase of 15.3% over the first half of 1953, according to figures released by E. Waln Hare, Vice-President of National Securities & Research Corporation.

The number of shareowners on June 30 set an all-time peak at 86,600, compared with 76,600 at the end of 1953. Outstanding shares increased to a total of 32,200,000 from 27,900,000 in the same period.

Total assets were $173,300,000 on June 30, compared with $133,500,000 at the end of 1953 and $123,200,000 on June 30, 1953.

Keystone Reports Record Sales

The combined assets of the ten Keystone Custodian Funds held by 50,000 shareholders reached a new high of $249,145,000 at the close of the 2nd quarter of 1954.

Sales of new shares in the first six months of this year increased 63% and redemptions of shares outstanding were down 19% compared with the same period in 1953. As a result, the first two quarters of 1954 produced the best net growth through sales since 1949.

The Income Funds—Low-Priced Bonds, Discount Bonds, Income Preferred Stocks and Income Common Stocks—continued to attract the largest number of investors and accounted for more than 60% of this year's sales to date.

Keystone's Growth Fund K-2 has also become increasingly popular with investors since the policy change last July authorizing the selection of growth situations in other than speculative preferred stocks, and this Fund has accounted for almost 9% of the first six months' sales in 1954.

The Report, covering operations for the first six months of the Income Common Stock Fund's fiscal year ending May 31, 1954, showed the following results as of the end of the period compared with the preceding six- and twelve-month periods:

	May 31 1954	6 Months Earlier
Total net assets	$41,406,761	$35,275,097
Shares outstanding	4,234,827	4,140,082
No. of shareholders	16,164	15,469
Inc. divs. per share	24c	24c
Value per share	$9.78	$8.52

Investors' Confidence Bolsters Market

The Group Securities report, which covers the first half of the company's 21st year, finds that the strength shown by most sections of the market in recent months has been due more to a change in the attitude of investors than to changes in earning power or in dividends.

"Confidence is increasing that the earning power of our major industries will be maintained, and that sharebholders will benefit further by favorable tax developments affecting their dividends."

In noting that stock market prices appear to have regained the level of 25 years ago, the management states that this has no particular significance.

"Each of us knows that the prices of our homes, our cars, our food—in fact most things we buy—are substantially above those of 1929," the management stated. "If, therefore, an adjustment is made in our thinking for the lower value of the dollar, it is obvious that the true values represented by stocks are substantially greater than 25 years ago.

"Moreover, our population has grown by about 40,000,000 people since 1929. The total value of our nation's production of goods and services is about 3½ times greater. American industry is in its strongest position in its history. Total corporate earnings, even after today's higher taxes, are about 2½ times those of 1929 and dividend payments are about 1⅔ those of 25 years ago."

The Group Securities report, on five general and 16 single industry funds, reports net assets of $62,007,281 on May 31, 1954, the end of the company's fiscal half year, compared with $54,387,745 on Nov. 30 last, and $56,233,098 on May 31, 1953.

Net investment income for the period amounted to $1,609,924, compared with $1,509,162 for the corresponding period of 1953.

Group's Common Stock Fund reports net assets of $10,804,263 or $9.65 a share, compared with $7,094,781 or $8.45 six months earlier.

Net assets of The Capital Growth Fund amounted to $3,637,279 or $4.72 per share. No comparison is available as the fund commenced operations under its present policy in February 1954.

Of Group Securities' 21 funds, five showed a net gain in shares outstanding during the six months ended May 31, 1954—the Common Stock Fund, Electronics & Electrical Equipment Shares, Food Shares, Mining Shares and Tobacco Shares.

Fifteen of the funds showed a decline in shares outstanding, a net of repurchases over shares sold.

They were Institutional Bond Fund, General Bond Fund, Fully Administered Fund, Automobile Shares, Aviation Shares, Building Shares, Chemical Shares, Industrial Machinery Shares, Merchandising Shares, Petroleum Shares, Railroad Bond Shares, Railroad Equipment Shares, Railroad Stock Shares, Steel Shares, and Utilities Shares.

The company reports no comparison possible on Capital Growth Fund, which was transformed from the old Investing Company Shares and then merged with the Low-Priced Stock Fund.

Fundamental Investors Crosses $200 Million

On June 30, 1954 the net assets of Fundamental Investors, Inc., the country's fifth largest mutual fund, were $201,142,844 as compared with $156,418,155 on Dec. 31, 1953, according to Hugh W. Long, President.

Of this increase approximately $15,000,000 represented the assets of Investors Management Fund which were merged into Fundamental earlier in the year.

PERSONAL PROGRESS

ERIK C. REINDERS is the latest securities man to leave Kidder, Peabody's mutual fund department for another post in the industry. He has joined Broad Street Sales Corporation as manager of sales development activities.

Broad Street Sales Corporation is the distributor for shares of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

Mr. Reinders came to Broad Street Sales Corporation from Kidder, Peabody & Company where has has been engaged for the last eight years, first as a securities salesman and, for the past three years, as Assistant to the Manager of the Central Mutual Funds Department. In this latter capacity, Mr. Reinders supervised Kidder, Peabody's "Mutual Funds Retail Sales Service."

A native of Amsterdam, Holland, Mr. Reinders came to the United States in 1939 and attended Holy Cross College and Harvard University Graduate School of Business Administration. He has also been with National City Bank of New York and during the war served as Associate Radio Editor and Radio Announcer of the Dutch Division of the Office of War Information.

HARWOOD GILDER and Frederick S. Collett have joined Dividend Servicing Corporation as regional managers in the metropolitan area of the Mutual Investment Funds department. Both were formerly associated with King Merritt & Co., Inc. in similar capacities.

CARL A. R. BERG, long-time investment counsellor of Boston, has been elected a Trustee of New England Fund, according to an announcement by Henry E. Kingman, Chairman of the Board of Trustees.

Mr. Berg's election followed the action taken by the shareholders of Mutual Fund of Boston, Inc., to merge the assets of that company into New England Fund in exchange for shares of New England Fund at net asset value.

More than 80% of the outstanding shares of Mutual Fund of Boston were represented at the June 23 meeting, and the merger was unanimously approved. Mr. Berg has been President of the Mutual Fund of Boston since its organization in December, 1944, by Russell, Berg & Company—the investment counsel firm of which Mr. Berg has been a partner since 1924 and senior partner since 1937.

A native Bostonian born Aug. 1, 1900, Mr. Berg has devoted his entire business career to investment management and other aspects of investing. He attended Boston University and served in the armed forces during World War I. Immediately after his release from the Army he rejoined the predecessor of Russell, Berg & Company.

The other four members of the Board of New England Fund are:

Henry E. Kingman, a Trustee since 1940, Chairman of the Trustees since 1950 and President of Franklin Management Corp.;

Ray Vance, a Trustee since 1931, one of the founders of New England Fund, and an experienced investment counsellor;

Francis G. Goodale, a Trustee since 1935, and a Boston attorney who has long specialized in trust and estate work; and

Albert T. Armitage, a Trustee since 1949, and President of Coffin & Burr, Incorporated, the investment banking firm which acts as general distributor of the shares of New England Fund.

CLOSED-END NEWS

Adams Express

The Adams Express Company announced today that the net asset value of its common stock at June 30, 1954, is estimated at $43.89 per share on 1,321,980 shares outstanding, compared with $37.08 at Dec. 31, 1953 on the same number of shares then outstanding. Its holding of American International Corporation, a majority-owned subsidiary, is included at net asset value at both dates.

American International

American International Corporation announced today that the net asset value of its common stock at June 30, 1954 is estimated at $27.79 per share on 938,000 shares outstanding, compared with $23.39 at Dec. 31, 1953 on the same number of shares then outstanding.

Petroleum Corp. of America

Petroleum Corporation of America announced today that the net asset value of its common stock ot June 30, 1954 is estimated at $26.53 per share, compared with $22.51 at Dec. 31, 1953.

General American Investors Company, Inc.

In the report of General American Investors Company, Inc., Frank Altschul, Chairman of the Board, stated that as of June 30, 1954 net assets were $52,331,507. After dividends of $494,886, the increase for the six months was $5,797,833.

Net assets, after deducting $5,993,000 preferred stock, were equal to $25.74 per share of common stock on the 1,800,220 shares outstanding as compared with $25.07 on March 31, 1954 and $22.52 on Dec. 31, 1953.

Net profit from the sale of securities for the six months was $1,549,382. Net income from dividends, interest and royalties for the period, after expenses and state and municipal taxes, was $494,942.

Public Utility Securities

By OWEN ELY

Northern States Power Company

Northern States Power Company, with its subsidiaries, serves a population of over two million in Minnesota, Wisconsin and the Dakotas. Over half of this population is in the Twin Cities (Minneapolis and St. Paul) and their adjacent suburbs. About one-quarter live in other communities of 5,000 to 60,000 population and the remainder in small communities and rural areas.

The territory served by the company enjoys a well-balanced economic life; agricultural production ranks near the top among the states of the nation in a number of items, and commercial and industrial activities are well diversified and growing. The Twin Cities, which are the hub of the system, have always had a substantial amount of industrial activity. Originally this was centered around flour milling and lumbering, but through the years a wide diversity of industrial units has developed. There has been a development in recent years of what might be called "brain industries" as distinguished from "heavy industries." These are industries that have their foundations in research and are not keyed directly to heavy natural resources or immediate markets. Typical examples of these industries are Minnesota Mining, Minneapolis-Honeywell, and General Mills Mechanical Division—all companies that have attained international prominence as a result of research and product development. The first two have been very popular in current markets.

There are natural resources yet undeveloped in the territory that would seem to assure continued future growth, and a great deal of interest is being devoted to the oil and lignite possibilities in North Dakota and the taconite developments on the Minnesota Iron Range.

The population in the areas served by Northern States Power grew at a faster rate than the U. S. in the period 1930-40. During 1940-50 the rate of increase was a little less than that of the U. S. but it was considerably better than in the New England and Middle Atlantic areas in both periods. Suburbs of the Twin Cities have shown the most rapid growth, population having more than doubled during 1940 to 1950.

Northern States Power has had a substantial postwar building program, having increased its generating capability about 94%. Some 300,000 kw. of additional capability will be installed in the next three years—100,000 kw. each year—an increase of about 30%. In the past the company has had to retain its older and less efficient units but the addition of this new capacity should improve overall generating efficiency. Average BTU per kwh.—a yardstick of generating efficiency—declined from 16,719 in 1941 to 13,776 in 1953 and is expected to drop to 12,900 by 1956; the latest units will be down to 9,950.

While the company operates in a rather high fuel cost area, coal prices are now coming down and this may check the continuing rise in the cost of natural gas. In 1953 about 50% of steam production was generated from natural gas as fuel. Although more kwh. have been generated by hydro in recent years, the portion produced by hydro is becoming a smaller part of the total as more steam plants are being installed. Changes in hydro conditions no longer have much effect on earnings—if the worst rainfall conditions had prevailed last year earnings would have been reduced about 5 cents, while a recurrence of the most favorable conditions would have increased earnings about 3 cents.

The company's average residential consumption last year was 2,500 kwh. and the rural average 4,900 kwh. While the residential figure is above the national average the company feels that there are great opportunities for further expansion.

The gas division contributes only about 10% of revenues, but the company now expects to receive sufficient gas not only to build up a real saturation of house-heating customers in St. Paul, but also to supply natural gas on a profitable basis within two years to all the 28 communities now served with gas.

The company offered common stock on a 1-for-10 basis a few weeks ago and expects to sell $20 million bonds in the fall, after which the capital structure will be approximately as follows:

Bonds	46%
Preferred stock	21
Common stock equity	33
	100%

The company is hopeful of raising its new money requirements during 1955-56 (estimated at $30 million) through debt, which would still maintain a 30% equity.

Common stock earnings for the calendar year 1954 are estimated by President King (in a recent talk before the New York Society of Security Analysts) at $1.03 on the increased number of shares, and next year at $1.10. No forecast was made for 1956, but with no equity financing in that year some further increase in earnings might be anticipated, if general economic conditions remain favorable.

The company is fortunate in its good public relations and in the favorable regulatory picture. In Minnesota there is no state commission, although it is possible that one may be created in the next year or so. In the city of St. Paul a local commission and the City Engineer keep an eye on rates locally, but thus far the company has enjoyed good relations there. In South Dakota the commission has no jurisdiction over electric utilities.

The stock is currently selling around 15 on the New York Stock Exchange and pays 80 cents to yield about 5.3%.

Continued from page 3

All America Is Still a Growth Area

proposed by President Eisenhower may or may not be fully effective in preventing a deep recession or a "little" depression. But they do assure that any slump in business will not degenerate into a long debilitating deflation such as that of the thirties. And, in an environment of accelerated technological advance and of surging population growth here and abroad, the program provides every reason for confidence that sooner or later the U. S. will enter another period of rapid, substantial and long sustained economic expansion. Therefore, it is reassuring that the new program is a skillful and statesmanlike combination of the measures advocated for many years by the more conservative Liberals and by the more liberal Conservatives.

Under the circumstances, I cannot refrain from urging that everyone—whatever this political affiliation — lend his support to a program which is potentially of such great importance to the prosperity and security of the nation.

Almost everyone now agrees that the United States is in a long period of growth and expansion. And it is now clear to most of us that our neighbor to the north is also in a vigorous surge of growth. There is reason for confidence that the quarter century from 1952 to 1977 will bring an expansion in Canadian population from 14 to, roughly, 28 million and an increase in production from $1,595 to $3,000 per capita, which would lift the total production of goods and services from $23 billion to $83 billion in 1952 Canadian dollars.

Latin America, a Growth Area

It is not so generally appreciated, however, that Latin America as a whole is also a great growth area of the future. In fact, the record of the immediate past is far more impressive than is generally appreciated for despite a high degree of political and financial instability in several individual Latin American countries, the rate of economic progress in Latin America as a whole during the past few years has been nothing short of phenomenal:

population has been increasing at a rate of 2 to 2.5% per year, far more rapidly than in any other major area of the world, per capita production of goods and services has been increasing at, roughly, 3.5% per annum which is high by any standard, and approximately 16% of national income has gone into investment so that the stock of capital per worker has risen about 35% in eight years.

A combination of exceptionally stimulative circumstances almost certainly assures that the future **trend** of growth of Latin America will be at an even more rapid rate:

(1) Latin America is one of the few remaining great areas of the world which is underpopulated in relation to its resources and in which the revolutionary new developments in industrial, agricultural, metallurgical, medical and educational technology are uniquely applicable.

(2) Recent exploration and resource surveys by Latin American countries and by U. S. corporations have made it abundantly clear that Latin America is potentially one of the world's great storehouses of the basic raw materials of industry.

(3) Future increase in world demand for raw materials, due to continued growth in the more mature countries, will provide a powerful incentive for the rapid development of Latin American resources.

(4) Appreciation of the sheer magnitude of their opportunities for growth is sure in time to cause a more receptive attitude toward foreign investment and to bring support for a great cooperative effort to devise international means to expedite the economic development of the entire area.

(5) Unless the Communists reverse their policies of persistent aggression and of preparation for conflict with the West, the need for development of a broad resource base for an expanded defense program will accelerate the adoption of a broad development program for Latin America as a whole.

A careful analysis of the growth potential for Latin America reveals that whatever reservations one may feel with respect to the short-term outlook for particular Latin American countries, it is within the realm of practical possibility that 25 years from now Latin America, as a whole, will have a population of 365 million, more than double that 170 million in 1952 and 50% more than the U. S. will have in 1977, be producing at a per capita rate (in 1950 dollars) of $750, more than three times the $238 per capita in 1952, and be generating a gross product (in 1950 dollars) of $274 billion vs. $40 billion in 1952, an increase of almost 600%.

With such favorable growth potentials not only for our own country but also for our neighbors to the north and to the south, what a tragedy it would be if we were to fail to take whatever action is needed to generate the colossal amount of investment funds which would be needed and to create a favorable climate for their productive use. Should we not, therefore, take a new look at the whole problem and in cooperation with all affected countries and areas of economic interest devise new techniques to implement these great growth potentials?

For the U. S. the President's economic program provides a challenging new blueprint for continued economic progress. I hope that we will now go a step further and lay out a no less sound and statesmanlike program to make certain that the vast growth potential of the entire Western Hemisphere will be fully realized.

Canadian Prospects

Canada presents no problem of consequence. Its savings institutions and its private savers generate huge amounts of funds for investment. Its well developed financial markets mobilize such funds for productive employment. The investment climate is propitious for the Canadian Government not only has resisted the temptation to erect needless barriers to investment but has deliberately adhered to tax, regulatory and other policies favorable to enterprise. The steady and substantial flow of foreign investments into Canada leaves no reason for doubt that the funds needed for expansion in Canada will be forthcoming and provides an encouraging example for other nations in which the need for investment funds is pressing and where effective means for providing them have not as yet been found.

With respect to the problem of insuring that the great growth potential of Latin America will be fully realized, it seems to me that the situation calls for a cooperative effort involving the use of devices such as:

large World Bank and Export-Import Bank **lines of credit** to private and public corporations —domestic and foreign—to aid in the development of Latin American resources — contingent, of course, on the willingness of such countries to adopt less restrictive policies with respect to foreign investment, establishment of a Latin American Financial Corporation — probably as a subsidiary of the World Bank—to stimulate private **equity** investment through a system of guarantees and participation in equity financing, creation of a Latin American Payments Union, perhaps under the wing of the International Monetary Fund, to aid in stabilizing currencies until the flow of investment funds can be developed into a considerable volume, agreements between the nations of Latin America to reduce the legal and other restrictions which have over the years deterred foreign investment, and increased grants under the Point IV program for broad resource surveys to help provide an economically sound pattern of development.

I am optimistic enough to believe that the use of such means to facilitate the economic growth of Latin America will not be long delayed. I feel no less confident that the President's new economic program for the U. S. will be adopted and that Canada will do whatever is necessary to expand to its full potentialities. Therefore, I am convinced that this whole hemisphere can, given time, look forward to a golden era of economic growth.

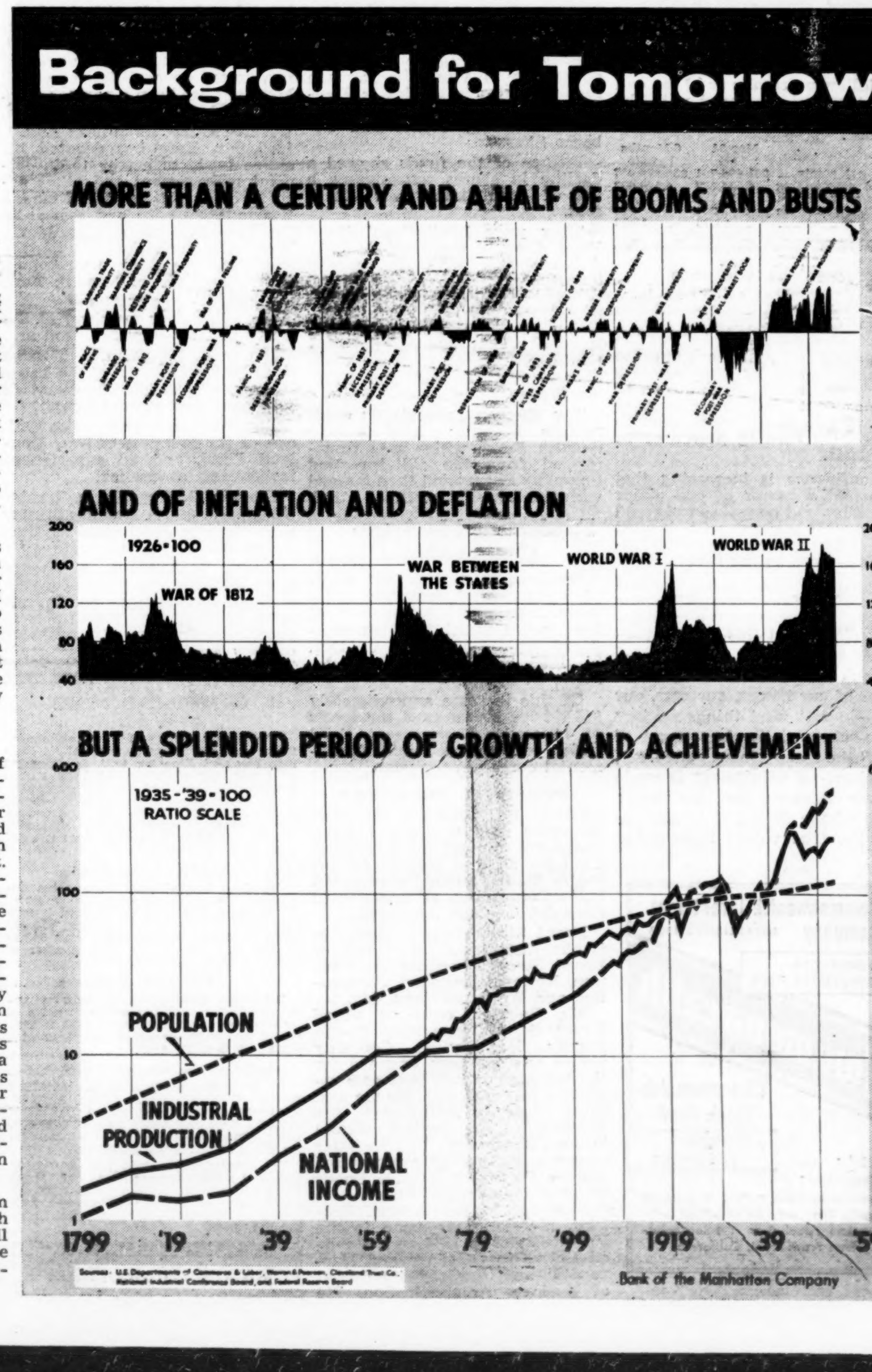
Statistical support for an unqualifiedly optimistic view of the long-range future of the United States itself is provided in two charts to which I should like to draw your attention.

The first chart, "Background for Tomorrow," pictures the salient economic facts concerning our economy through the period since 1799, which I am sure you will forgive me for pointing out was the year when the Bank of the Manhattan Company first opened its doors for business. This chart shows that ours has been an economy of booms and busts. We have experienced alternating periods of prosperity and depression with quite a large number of speculative booms always followed by big depressions, an assortment of financial panics and quite a large number of "little" booms and "little" depressions. Ours has been an economy of instability—rugged and merciless to those who are weak or have become overextended.

Furthermore, our economy has, as the middle section of the chart shows, been marked by a number of minor and a few spectacular inflations always followed in the past by drastic and discouraging deflations. Price stability has not been our lot.

Our Economy—A Record of Progress and Achievement

But the overwhelmingly important fact is that, despite the booms and busts, the inflations and deflations, our economy has rolled up for the period as a whole a splendid record of progress and achievement. It has produced more goods and services and provided a more rapid rise in our standard of living than has been the case in any other country in the world. Despite the instability and fluctuations from month to month and year to year ours has been a land of opportunity for the courageous, the far-



sighted and the well-managed businesses of the country.

The other chart, "Potentials for Tomorrow," describes, roughly, the statistical objectives which it should be our constant concern to realize. It shows the upward sweep during the past 50 years in our population, in our production per capita and in our total production. Here we see how, despite depressions, inflations, political changes and wars we have benefited from the leverage of rising population and increasing productivity.

Trends have been drawn through the record of the past and have been extended through the next quarter century. Such trend projections show that if our growth in population and our progress in increasing productivity were to be no more rapid in the future that has been the case in the past, our population in 1977 would be 220 million, our production per capita would rise from $2,100 per capita to $2,900, and the value of total production would show a rise from $346 billion in 1952 to around $625 billion in 1977. These gains are impressive but it must be emphasized that the trend projections assume that our rate of progress and growth will be no greater in the future than it has been in the past.

What Technological Research Is Accomplishing

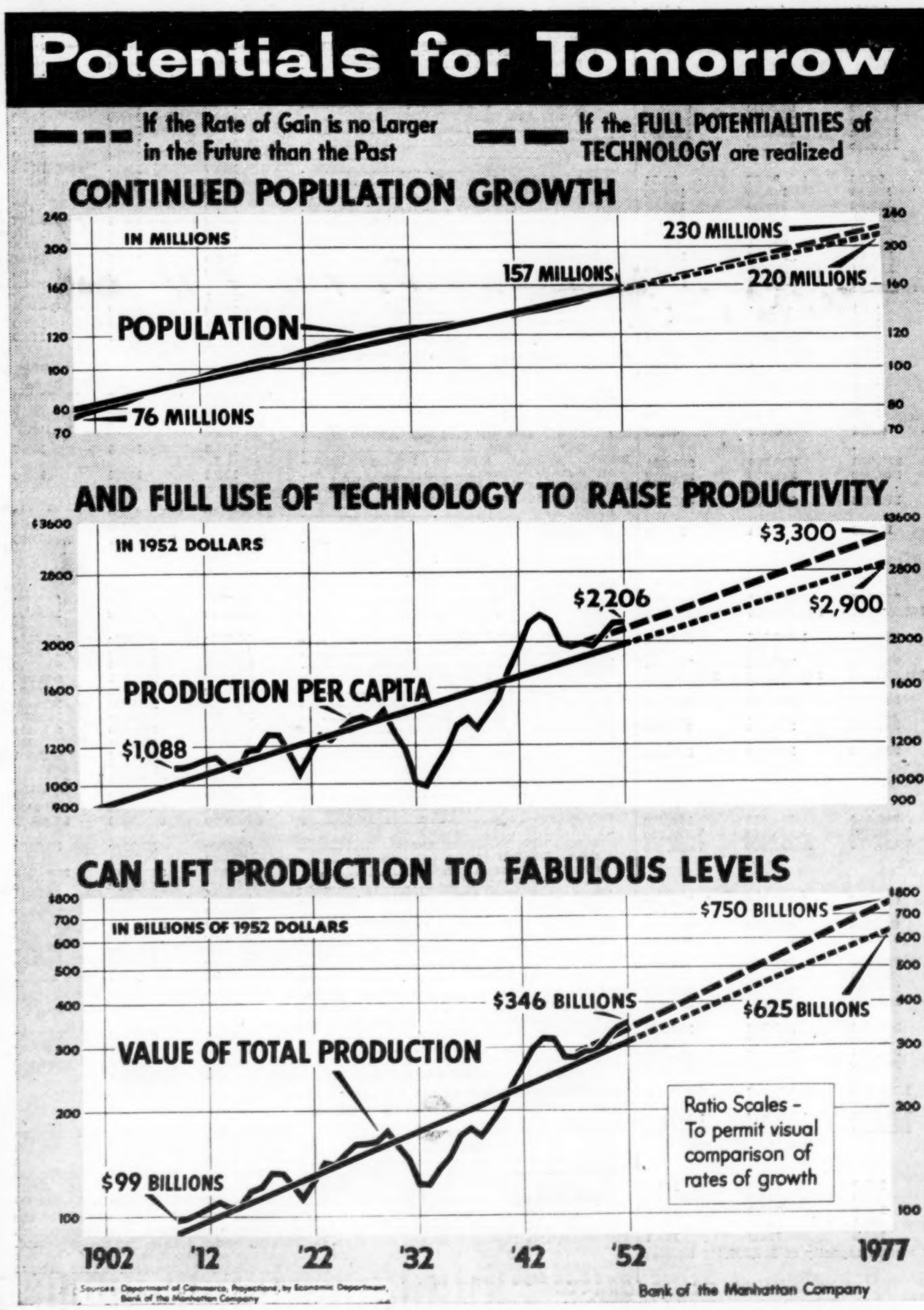
I am convinced, on the other hand, that the expansion of technological research into a predictably productive process calls for the lifting of our sights far above the projections based merely on the trends of the past. The most important fact of our economic life today is that we are in the midst of a technological revolution capable of causing a sharp and substantial break upward from the rates of progress recorded heretofore.

If the population projections were to make full allowance not only for the progress already made in the reduction of infant mortality and the lengthening in the span of life but also for the ultimate effects of widespread application of recent **and prospective** advances in medical techniques, the gains recorded in population would be considerably larger than those obtained by a simple extention of the long-term trends of the past.

It is, however, in the area of productivity that really spectacular progress can be realized. The gains registered in production per capita could easily turn out to be impressively larger in the future than they have been in the past because of improved medical technology, which should reduce the number of days lost because of illness and because full use of the improvements now clearly in view in agricultural, industrial and metallurgical technology are capable of raising the rate of increase in the output per capita substantially.

We have incubating in our laboratories, which are now so liberally financed by business and government and so well staffed with the best trained and the most practically imaginative scientists in the world, a host of new industries and an incredibly long list of new ways of producing more cheaply so that costs can be reduced and our markets can be widened. We are but at the beginning of a new age of technological miracles and I am convinced after 25 years of study of these matters that the really great phase of the technological revolution lies ahead of—not behind—us. Therefore, my personal estimate — shown in the upper broken lines on the chart — of the potentials for 1977 is that we could easily have a population of 230 millions, producing goods and services valued in 1952 dollars of $3,300 per capita so that the total value of the nation's production would, again in 1952 dollars, be more than three-quarters of a trillion dollars.

This is not to say hat we have achieved the utopia of perpetual problemless prosperity. Rapid growth is by nature a jerky and and uneven process. Temporary periods of glut in our markets and of overexpanded capacity are probably inevitable. When consumers and business have gotten ever heavily indebted phases of retrenchement are unavoidable. Therefore, while the next quarter century will inevitably be a period of continued economic growth, it is likely also to be marked by considerable economic instability and extremely intense competition which will test the management effectiveness of U. S. business. It is going to take some very skillful planning indeed for business to take full advantage of the potentialities for growth and at the same time to avoid the pitfalls in a highly competitive and unstable environment.



Guideposts for Business Planning

I am convinced that we will do well to base our planning, programming and budgeting on the following general assumptions:

(1) While we do not have a depression-proof economy, there is no reason to assume that there is any prospect whatsoever that we could experience "another 1929." After a long inflationary boom no government, however well-intentioned, can provide assurance that any economy is depression-proof. History, economic theory, common sense and the facts of our economic life all argue persuasively that it simply cannot be done. Nevertheless, our new Administration is preparing its defenses against depression so carefully and it is reorganizing government economic policies so skillfully as to justify confidence that we will, in fact, be able to prevent any economic readjustment from deteriorating into a long and disastrous major depression.

(2) "Little" depressions result from the need of a pause in purchasing and/or a pause in capital expenditures to offset over-expansion of business or consumers' inventories and to permit the country to grow up to overexpanded production capacity and residential facilities. Such depressions never are very long or deep. "Big" depressions are, on the other hand, primarily financial in origin. They come when debts are so high, financial position so extended and financial institutions so exposed that a "little" corrective depression is converted into a deflationary struggle for liquidity. That is why the rise in debt is a matter for concern. Nevertheless, the financial policies of most borrowers and lenders are so strong today as to justify confidence that such corrective depressions as we experience need not degenerate into deflationary busts.

(3) With our Defense Program as large as it is, short-term fluctuations in our economy may well be determined primarily by international developments and their effects on government expenditures. Another serious war scare could be temporarily inflationary. A greatly improved international situation would in all probability be deflationary from the short range point of view. However, our long range outlook clearly is for a period of great growth and expansion no matter what happens in the international sphere.

(4) The overwhelmingly important fact is that the United States is still a growth country with many important new industries and several large areas sure to expand at a spectacularly rapid rate for many years ahead. And with population rising sharply and productivity spurting upward as a result of technological progress, the long term trend in production can easily be more sharply upward in the future than it has been in the past.

May I say in conclusion that the economic outlook is for much more economic growth, a great deal more economic instability and vastly more intense competition than is expected by most businessmen and economists. However, I am convinced that the science of management has been developed so carefully and soundly under the leadership and inspiration of the American Management Association that when, ten years from now, the economic history of the decade is being written it will be obvious that our business leaders will have handled their affairs with high statesmanship and will again have chalked up a new high in economic accomplishment.

Bassons Industries Common Stock Offered

Jay W. Kaufmann & Co. and Vickers Brothers, both of New York City, are offering publicly an issue of 140,000 shares of common stock (par 50 cents) of Bassons Industries Corp. at $2 per share. The net proceeds are to be used for working capital and other corporate purposes.

Bassons Industries Corp. is a custom molder and fabricator of plastics, working with two basic materials, one known as "Fiberglass," the other known as "high impact" plastic. It occupies a plant containing 70,000 square feet, located at 1432 West Farms Road, New York 60, N. Y.

Larry Moore Rejoins Thomson & McKinnon

SHELBY, N. C.—Larry H. Moore has rejoined the staff of Thomson & McKinnon in the Shelby office, Webb Building. He has recently been with Harris, Upham & Co. in Charlotte.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CANTON, Ohio—Earl G. Gayhart has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, St. Francis Hotel Bldg.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Irving D. Karpas, Jr. has joined the staff of Goodbody & Co., National City East Sixth Building.

Green, Erb Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Harry B. Wise has become connected with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

Joins Eldon R. Bell

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Charles H. Walter has joined Eldon R. Bell, 4913 Baltimore.

With Joseph, Mellen Firm

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Henry J. McGinness, Jr. is now affiliated with Joseph, Mellen & Miller, Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 11	§59.7	*65.8	73.2	92.8
Equivalent to—					
Steel ingots and castings (net tons)	July 11	§1,424,000	*1,568,000	1,746,000	2,092,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 25	6,509,800	6,494,650	6,431,350	6,484,250
Crude runs to stills—daily average (bbls.)	June 25	‡6,939,000	6,893,000	7,020,000	7,047,000
Gasoline output (bbls.)	June 25	23,862,000	23,587,000	23,063,000	24,172,000
Kerosene output (bbls.)	June 25	2,095,000	2,186,000	2,336,000	2,324,000
Distillate fuel oil output (bbls.)	June 25	9,700,000	9,292,000	9,459,000	10,171,000
Residual fuel oil output (bbls.)	June 25	7,874,000	8,070,000	8,293,000	8,834,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 25	168,034,000	*168,896,000	172,855,000	145,651,000
Kerosene (bbls.) at	June 25	26,937,000	25,942,000	23,416,000	26,453,000
Distillate fuel oil (bbls.) at	June 25	83,013,000	*79,402,000	71,224,000	82,634,000
Residual fuel oil (bbls.) at	June 25	50,362,000	*49,772,000	46,433,000	43,599,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 26	713,160	707,208	689,292	818,450
Revenue freight received from connections (no. of cars)	June 26	597,769	591,738	592,719	670,074
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 1	$323,867,000	$312,926,000	$204,387,000	$256,188,000
Private construction	July 1	173,228,000	160,090,000	107,377,000	135,627,000
Public construction	July 1	150,639,000	152,836,000	97,010,000	120,561,000
State and municipal	July 1	113,477,000	123,238,000	66,724,000	89,941,000
Federal	July 1	37,162,000	29,598,000	30,286,000	30,620,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 26	8,250,000	7,950,000	7,175,000	9,875,000
Pennsylvania anthracite (tons)	June 26	602,000	564,000	569,000	804,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 26	97	115	104	94
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 3	8,825,000	8,891,000	8,246,000	7,915,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 1	192	215	218	169
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 29	4.634c	4.634c	4.634c	4.634c
Pig iron (per gross ton)	June 29	$56.59	$56.59	$56.59	$56.01
Scrap steel (per gross ton)	June 29	$26.92	$27.58	$28.58	$43.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 30	29.700c	29.700c	29.700c	29.675c
Export refinery at	June 30	29.600c	29.625c	29.625c	29.625c
Straits tin (New York) at	June 30	96.625c	94.750c	94.500c	90.750c
Lead (New York) at	June 30	14.000c	14.000c	14.000c	13.500c
Lead (St. Louis) at	June 30	13.800c	13.800c	13.800c	13.300c
Zinc (East St. Louis) at	June 30	11.000c	11.000c	10.500c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 6	100.08	99.96	98.97	93.31
Average corporate	July 6	110.15	110.15	110.15	102.80
Aaa	July 6	115.04	115.04	114.85	106.92
Aa	July 6	112.19	112.19	111.81	105.17
A	July 6	109.79	109.79	109.97	101.64
Baa	July 6	104.14	104.31	104.31	98.09
Railroad Group	July 6	108.88	108.88	108.88	100.49
Public Utilities Group	July 6	110.52	110.52	110.34	102.80
Industrials Group	July 6	111.25	111.44	111.25	105.17
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 6	2.49	2.50	2.57	2.99
Average corporate	July 6	3.16	3.16	3.16	3.58
Aaa	July 6	2.90	2.90	2.91	3.34
Aa	July 6	3.05	3.05	3.07	3.44
A	July 6	3.18	3.18	3.17	3.65
Baa	July 6	3.50	3.49	3.49	3.87
Railroad Group	July 6	3.23	3.23	3.23	3.72
Public Utilities Group	July 6	3.14	3.14	3.15	3.58
Industrials Group	July 6	3.10	3.09	3.10	3.44
MOODY'S COMMODITY INDEX	July 6	435.1	431.2	436.6	422.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 26	204,836	215,919	239,769	206,661
Production (tons)	June 26	250,255	248,260	241,709	254,212
Percentage of activity	June 26	92	91	91	97
Unfilled orders (tons) at end of period	June 26	325,610	376,344	364,150	457,599
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 2	106.49	106.89	107.24	106.35
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	June 19	851,534	913,018	1,014,227	621,383
Dollar value	June 19	$38,764,551	$42,675,362	$45,526,035	$27,152,238
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	June 19	797,701	933,837	1,002,577	536,561
Customers' short sales	June 19	7,062	8,964	4,685	7,446
Customers' other sales	June 19	790,639	924,873	997,892	529,115
Dollar value	June 19	$33,963,305	$41,662,713	$43,666,483	$21,096,412
Round-lot sales by dealers—					
Number of shares—Total sales	June 19	235,820	340,290	298,180	154,800
Short sales	June 19	------	------	------	------
Other sales	June 19	235,820	340,290	298,180	154,800
Round-lot purchases by dealers—					
Number of shares	June 19	320,240	284,810	319,420	256,020
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	June 12	377,900	296,660	354,430	320,000
Other sales	June 12	9,887,280	7,327,740	9,978,370	7,378,350
Total sales	June 12	10,265,180	7,624,400	10,332,800	7,698,350
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 12	1,267,950	805,410	1,100,400	784,220
Short sales	June 12	203,890	185,410	224,130	129,840
Other sales	June 12	995,520	685,260	934,070	679,820
Total sales	June 12	1,199,410	870,670	1,158,200	809,660
Other transactions initiated on the floor—					
Total purchases	June 12	355,540	252,600	312,200	188,250
Short sales	June 12	28,100	24,500	14,400	27,600
Other sales	June 12	307,140	260,540	283,330	209,230
Total sales	June 12	335,240	285,040	297,730	236,830
Other transactions initiated off the floor—					
Total purchases	June 12	345,480	257,930	358,742	308,265
Short sales	June 12	38,310	34,880	40,390	65,990
Other sales	June 12	372,854	264,725	384,047	294,170
Total sales	June 12	411,164	299,605	424,437	360,160
Total round-lot transactions for account of members—					
Total purchases	June 12	1,968,970	1,315,940	1,771,342	1,280,735
Short sales	June 12	270,300	244,790	278,920	223,430
Other sales	June 12	1,675,514	1,210,525	1,601,447	1,183,220
Total sales	June 12	1,945,814	1,455,315	1,880,367	1,406,650
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
[illegible] commodities	June 29	110.0	109.9	110.8	109.4
[illegible] products	June 29	94.7	94.4	98.9	93.4
[illegible]d foods	June 29	104.6	104.5	106.3	102.9
[illegible]	June 29	92.4	91.1	97.7	90.1
[illegible] commodities other than farm and foods	June 29	114.4	114.4	114.3	114.1

*Revised figure. ‡Includes 660,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD — Month of June (000's omitted):			
Total U. S. construction	$1,160,753	$1,456,942	$1,318,070
Private construction	599,256	942,244	677,219
Public construction	561,497	514,698	640,851
State and municipal	425,116	410,363	475,914
Federal	136,381	104,335	164,937
COAL EXPORTS (BUREAU OF MINES)— Month of April:			
U. S. exports of Pennsylvania anthracite (net tons)	151,736	129,631	91,389
To North and Central America (net tons)	121,473	129,631	91,324
To South America (net tons)	------	------	65
To Europe (net tons)	29,512	------	------
To Asia (net tons)	751	------	------
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	4,800,761	*4,693,136	6,861,300
Oven coke (net tons)	4,772,388	4,658,394	6,310,300
Beehive coke (net tons)	28,373	*34,642	551,000
Oven coke stock at end of month (net tons)	3,011,996	2,860,189	2,134,741
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES—Estimated short and intermediate term credit in millions as of May 29:			
Total consumer credit	$27,520	$27,330	$27,056
Instalment credit	20,932	20,909	20,213
Automobile	9,838	9,798	9,434
Other consumer goods	5,142	5,188	5,272
Repair and modernization loans	1,565	1,554	1,462
Personal loans	4,387	4,369	4,047
Non-instalment credit	6,588	6,421	6,843
Single payment loans	2,181	2,105	2,294
Charge accounts	2,639	2,566	2,363
Service credit	1,768	1,750	1,786
CONSUMER PRICE INDEX — 1947-49 100— Month of May:			
All items	115.0	114.6	114.0
Food	113.3	112.4	112.1
Food at home	112.8	111.8	111.7
Cereals and bakery products	121.3	121.1	118.4
Meats, poultry and fish	111.0	110.5	109.2
Dairy products	103.5	104.6	107.8
Fruits and vegetables	114.6	110.0	115.2
Other foods at home	114.5	113.6	110.3
Housing	118.9	118.5	117.1
Rent	128.3	128.2	123.0
Gas and electricity	107.7	107.6	106.6
Solid fuels and fuel oil	120.9	123.9	121.8
Housefurnishings	105.9	106.1	107.6
Household operation	117.2	116.9	114.7
Apparel	104.2	104.1	104.7
Men's and boys	107.3	107.1	107.4
Women's and girls	98.5	98.4	99.4
Footwear	115.9	116.1	115.1
Other apparel	90.9	90.4	92.5
Transportation	129.1	129.1	129.4
Medical care	125.1	124.9	120.7
Personal care	113.0	112.9	112.8
Reading and recreation	106.4	106.5	108.0
Other goods and services	120.1	120.2	118.0
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of April:			
All manufacturing (production workers)	12,592,000	*12,818,000	13,939,000
Durable goods	7,303,000	*7,430,000	8,341,000
Non-durable goods	5,289,000	*5,388,000	5,598,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	101.8	103.6	112.7
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	135.0	138.4	152.0
Estimated number of employees in manufacturing industries—			
All manufacturing	15,996,000	*16,234,000	17,309,000
Durable goods	9,251,000	*9,389,000	10,283,000
Non-durable goods	6,745,000	*6,845,000	7,026,000
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of June:			
Copper (per pound)—			
Electrolytic domestic refinery	29.700c	29.700c	29.688c
Electrolytic export refinery	20.603c	29.658c	29.699c
Lead—			
Common, New York (per pound)	14.106c	14.000c	13.413c
common, St. Louis (per pound)	13.906c	13.800c	13.213c
‡‡Prompt, London (per long ton)	£97.455	£94.396	£88.690
‡‡Three months, London (per long ton)	£95.097	£92.792	£84.363
¶Antimony, New York Boxed	31.970c	31.970c	37.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	34.500c
Antimony (per pound) Laredo	29.000c	29.000c	35.000c
Platinum, refined (per ounce)	$84.000	$84.000	$92.654
Zinc (per pound)—East St. Louis	10.960c	10.286c	11.000c
††Zinc, London, prompt (per long ton)	£79.920	£79.527	£70.851
††Zinc, London, three months (per long ton)	£80.262	£79.247	£70.670
†Cadmium, refined (per pound)	$1.70000	$1.70000	$2.00000
‡Cadmium (per pound)	$1.71635	$1.72000	$2.07500
§Cadmium (per pound)	$1.73629	$1.75000	$2.15000
Cobalt, 97%	$2.60000	$2.60000	$2.40000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	85.250c	85.250c
Silver, London (pence per ounce)	72.940	72.750	74.000
Sterling Exchange (Check)	$2.81824	$2.81859	$2.81366
New York Straits	94.192c	93.620c	92.899c
§§New York, 99% min.	93.192c	92.620c	91.899c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$275.000	$248.800	$191.923
Aluminum, 99% plus, ingot (per pound)	21.500c	21.500c	20.500c
Magnesium ingot (per pound)	27.000c	27.000c	27.000c
**Nickel	60.000c	60.000c	60.000c
Bismuth (per pound)	$2.25	$2.25	------
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN. — Month of May:			
Total number of vehicles	588,561	631,769	643,487
Number of passenger cars	497,062	534,667	549,677
Number of motor trucks	91,226	96,723	93,443
Number of motor coaches	273	379	367
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of May:			
Total operating revenues	$765,120,855	$76[illegible],963,152	$901,643,672
Total operating expenses	616,[illegible]44,278	611,773,147	680,521,238
Operating ratio	80.62	79.87	75.48
Taxes	67,971,[illegible]	73,428,825	106,272,753
Net railway operating income before charges	58,880,649	60,[illegible]1,259	95,387,443
Net income after charges (estimated)	39,000,000	39,000,000	74,000,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shapes to plater. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colborne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from E. St. Louis exceeds 0.5c.

Continued from page 5

The State of Trade and Industry

reports. However, strike hedge buying was not widespread and there are few order cancellations.

Steelmaking scrap prices edged down again for the fifth week in a row. Declines this week lowered "The Iron Age" steel scrap composite price 17c a ton to $26.75 per gross ton.

Late on Friday of last week a U. S. assembly plant was scheduled to turn out the 3 millionth car of 1954, according to "Ward's Automotive Reports."

The same 1953 milestone was reached almost 2½ weeks earlier as production at that time held to the highest level in automotive history.

Thus far in 1954, car output is trailing the 1953 pace by 9.6%, while truck erecting is 12% below the rate of 12 months ago, it states.

During January-June the industry built approximately 2,958,000 cars and 559,000 trucks, compared to 3,255,772 and 634,307 in the like 1953 term. The combined tally showed that the producers were only 10% behind last year and had capped the first half of 1954 with 504,000 cars and 89,000 trucks during June, it further reports.

The statistical agency added that last week's volume estimated at 132,141 was only 1.4% behind 113,886 cars and 20,040 trucks built a week earlier, despite the suspension of all Saturday final assembly.

All Big Three plants worked a five-day week, excepting Chrysler Division and Plymouth where the work week was shortened. Hudson and Studebaker (South Bend) held to four-day tricks, while Packard was down all week and Kaiser-Willys suspended all final assembly operations Wednesday (June 30). The latter's Toledo plant will resume car manufacture on Aug. 16. Willys truck and *Jeep* lines will continue to function throughout the 31-working day curtailment of car output.

Accentuating the wide difference between production last week and corresponding volume a year ago was the realization that in five days the industry is not building as many cars and trucks as it did in the same 1953 period (a holiday week held to four days when Friday was taken off due to July 4 falling on a Saturday), "Ward's" notes.

Canadian plants, meanwhile, built 33% fewer cars and trucks the past week (estimated 4,567) than in the previous work period (6,769) as most producers halted output Friday due to the Thursday observance of Dominion Day. To date, Canadian vehicle manufacture is running 11% behind a year ago, with an estimated 254,223 completions, compared to 286,830 in like 1953, "Ward's" concludes.

Steel Output Scheduled to Drop 6.1 Points To 59.7% of Capacity

Steel prices are going up an average of $3 a ton, says "Steel," the weekly magazine of metalworking, the current week. They are being raised to pass along part of the additional costs of the new contract between steel producers and the steelworkers.

Prices are being increased even though steel is in a competitive market says "Steel." Steel executives have been speaking out about the low earnings rate in their industry. Ernest T. Weir, Chairman, National Steep Corp., says, for instance, they are not great enough to maintain investor confidence, and this confidence is necessary, he declares, in view of the need of $1 billion a year for the next 30 years just to replace present plant and facilities. The National City Bank of New York reports that in 1953 the iron and steel industry's net profit was 11.6% of net worth, compared with an average of 12.5% for all industries.

The low rate of steel industry earnings is not the only incentive to pass along the costs of a wage hike, it declares. If the industry absorbed the hike, the union would conclude that the industry could afford even further and bigger settlements. The increased costs from the current settlement are being passed along even though steel demand is lower than it has been for several years. All steel producers will have to make about the same price increases; their competitive positions with one another will remain approximately the same as they are today. The steel industry's competitive position with other metals, too, will remain largely unchanged for the inflationary effect of the steel wage settlement will spread ultimately to other industries.

Each cent of increase in wages and other benefits raises the cost of steel production 40 cents a ton. The settlement will cost some producers about 10 cents an hour per employee while for other producers the cost will be around 12 cents. That means the additional cost of producing steel is $4 to $4.80 a ton, this trade magazine asserts.

July steel business is shaping up better than some people had expected. In some cases it's not quite as good as June but in other instances it's better, "Steel" observes.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 59.7% of capacity for the week beginning July 5, 1954, equivalent to 1,424,000 tons of ingots and steel for castings, as against 1,568,000 tons and 65.8% (actual) a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 73.2% and production 1,746,000 tons. A year ago the actual weekly production was placed at 2,092,000 tons or 92.8%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Car Loadings Continue Slight Rise of Previous Week

Loadings of revenue freight for the week ended June 26, 1954, increased 5,952 cars or 0.8% above the preceding week, according to the Association of American Railroads.

Loadings totaled 713,160 cars, a decrease of 105,290 cars or 12.9% below the corresponding 1953 week, but an increase of 66,680 cars or 10.3% above the corresponding week in 1952, which was affected by a strike in the steel industry.

Electric Output Dips Due to Independence Day Holiday

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 3, 1954, was estimated at 8,825,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 156,000,000 kwh. below the preceding week, due to the extended Independnc Day Holiday week-end, but an increase of 910,000,000 kwh., or 11.5% over the comparable 1953 week and 2,347,000,000 kwh. over the like week in 1952.

U. S. Auto Output Drops Only 1.4% Below Previous Week Despite Saturday Suspensions

The automotive industry for the latest week, ended July 2, 1954, according to "Ward's Autmotive Reports," assembled an estimated 112,455 cars, compared with 113,886 (revised) in the previous week. The past week's production total of cars and trucks amounted to 132,141 units, a moderate decline below last week's output of 133,926 units, states "Ward's." The statistical agency added that last week's volume was only 1.4% behind the earlier period despite the suspension of all Saturday final assemblies.

Last week, the agency reported there were 19,686 trucks made in this country, as against 20,040 (revised) in the previous week and 15,750 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 3,662 cars and 905 trucks last week, against 5,329 cars and 1,440 trucks in the preceding week and 6,560 cars and 1,926 trucks in the comparable 1953 week.

Business Failures Decline Slightly

Commercial and industrial failures dipped to 192 in the week ended July 1 from 215 in the preceding week, according to Dun & Bradstreet, Inc. While casualties were at the lowest level so far this year, they were considerably higher than a year ago when 169 occurred or in 1952 when there were 131 in the corresponding week. Continuing below the prewar level, mortality was down 27% from the toll of 264 in 1939.

Casualties involving liabilities of $5,000 or more fell to 162 from 192 in the previous week, but remained above the 146 of this size recorded last year. Small failures, those with liabilities under $5,000, rose to 30 from 23 a week ago and 23 in the similar week of 1953. Eighteen businesses succumbed with liabilities in excess of $100,000 as compared with 15 last week.

All industry and trade groups except wholesaling had lower mortality during the week. Mild dips occurred in manufacturing and in commercial service, while the toll among construction contractors dropped to 11 from 24 and among retailers to 88 from 102. Failures in wholesale trade rose to 29 from 17 in the preceding week. More concerns failed than in 1953 in all lines except retailing and construction where moderate declines from last year's level prevailed.

Wholesale Food Price Index Extends Mild Advance

Continuing the upward movement of the preceding week, the Dun & Bradstreet wholesale food price index rose 2 cents the past week to stand at $7.30 on June 29. This compares with $3.54 on the corresponding date a year ago, or a rise of 11.6%.

Up in wholesale cost last week were flour, corn, rye, hams, sugar, milk, coffee, cocoa and hogs. On the down side were wheat, oats, beef, lard, eggs, rice, steers and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Continues To Ease In Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved upward in the early part of the week but later turned downward to finish slightly below a week ago. The index closed at 271.13 on June 29, as compared with 271.71 a week previous, and 275.81 a year ago.

Movements in leading grain markets continued to be mixed last week with wheat again trending lower while new crop corn displayed relative firmness and other grains held in a narrow range.

Strength in corn reflected a somewhat broader demand for the meager marketings and the publication of the Department of Agriculture pig crop report which placed the combined 1954 Spring and Fall pig crop at 91,000,000 head, or 12% above last year. Wheat received some support from the announcement of further cuts in acreage allotments for 1955 but slow export demand, continued dullness in the flour market and a heavy movement of Winter wheat under favorable harvesting conditions were depressing influences. Daily average sales of grain futures on the Chicago Board of Trade declined moderately and totalled 37,200,000 bushels for the week against 42,000,000 the previous week, and 59,300,000 a year ago.

Activity in hard wheat bakery flours was limited to small lot bookings for immediate and nearby, as exhaustion of balances forced a number of buyings into the market. Bakers and jobbers showed very little interest in making forward commitments. Cocoa scored further sharp advances last week on active demand prompted by strength in the London market, new high prices paid for Brazilian cocoa by United States importers and the outlook for a continued tight supply until marketing of the new African crop begins late in December. Warehouse stocks of cocoa showed a further drop to 92,563 bags, from 98,605 a week earlier, and 167,439 bags a year ago.

Coffee prices rose substantially aided by short covering and aggressive demand from Brazil which was influenced by reports that Brazil, through the institute, was buying at the source at the minimum price of 87 cents f.o.b.

The domestic raw sugar market was steady to slightly firmer. Refined sugar moved in fair volume aided by continued high temperatures in the East. Lard was firm early but liquidation in late dealings forced values lower. Live hog prices moved sharply upward under buying stimulated by smaller receipts and higher wholesale prices on fresh pork cuts.

Cotton prices declined last week in comparatively light trading. Weakness was influenced by hedge selling and liquidation prompted by reports of hot, dry weather over much of the belt and the good progress being made by the crop.

Reported sales in the ten spot markets totalled 27,400 bales, the smallest weekly volume in nearly two years, and compared with 31,500 bales a week earlier, and 43,800 in the corresponding week a year ago.

Trade Volume Higher for Week and Year Ago Aided By Heavy Promotions

Shoppers increased their buying in the period ended on Wednesday of last week, and the total volume of retail sales was above that of both the preceding week and the comparable week of a year ago. Heavy promotions continued in many sections of the country and were generally successful in boosting sales. The number of installment purchases was below the high level of a year ago.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1% to 5% above the level of a year ago.

Regional estimates varied from the comparable 1953 levels by the following percentages: New England and Pacific Coast —1 to +3; East and Northwest 0 to +4; Southwest +1 to +5; South +2 to +6; and Midwest +3 to +7.

The volume of home furnishing sales in both department and specialty stores declined from last week's level and continued below that of a year ago. Air conditioners and fans were in less demand than in the previous week; some small appliances sold well, but refrigerators, freezers, and washing machines moved slowly.

Wholesale buying in the period ended on Wednesday of last week was less than that of the previous and far below the level of a year ago. The largest declines from last year were registered in apparel and home furnishing lines.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 26, 1954 advanced 3% above the level for the preceding week. In the previous week June 19, 1954, an increase of 4% was reported from that of the similar week in 1953. For the four weeks ended June 26, 1954, a decrease of 3% was reported. For the period Jan. 1 to June 26, 1954 department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York City the past week showed a falling off from the like period a year ago. However, notwithstanding the Independence Day holiday week-end and cooler weather, day-to-day comparisons earlier in the week favored the current year.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended June 26, 1954, registered an increase of 5% above the like period of last year. In the preceding week, June 19, 1954, an increase of 3% was reported from that of the similar week in 1953, while for the four weeks ended June 26, 1954, a decline of 2% was reported. For the period Jan. 1 to June 26, 1954, no change was registered from that of the 1953 period.

Dempsey-Tegeler Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Grover G. Jones and Roy A. Lindgren have become affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Aberdeen Fund, New York
June 29 filed 1,500,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ Acme Uranium Mines, Inc., Denver, Colo.
June 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses. **Office**—425 Ernest & Cranmer Bldg., Denver 2, Colo. **Underwriter**—Carroll, Kirchner & Jacquith, Inc., Denver, Colo.

★ Alpine Uranium Corp., Salt Lake City, Utah
June 28 (letter of notification) 7,500,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—512 Zion's Savings Bank Bldg., Salt Lake City, Utah. **Underwriter**—Uranium Mart, Inc., 146 South Main St., Salt Lake City, Utah.

American-Canadian Oil & Drilling Corp.
May 12 filed 1,500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and acquisition of additional properties for development and exploration, and related activities. **Office**—Dallas, Tex. **Underwriter**—None.

Apollo Oil & Uranium Co., Denver, Colo.
May 27 (letter of notification) 12,500,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining activities. **Office**—602 First National Bank Building, Denver, Colo. **Underwriters**—M. A. Cleek and J. Russell Tindell, both of Spokane, Wash.

Arden Farms Co., Los Angeles, Calif.
June 11 filed 32,669 shares of $3 cumulative and participating preferred stock (no par value) and 52,876 shares of common stock (par $1), the preferred shares to be offered for subscription to holders of presently outstanding preferred stock on 1-for-10 basis, and the common stockholders to have right to subscribe for the new common stock on a 1-for-10 basis. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriter**—None.

Arkansas Natural Resources Corp. (7/15)
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to oil and gas activities. **Office**—Rison, Ark. **Underwriter**—Eaton & Co., Inc., New York, N. Y.

★ Atomic Power Uranium Corp., Denver, Colo.
June 25 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—404 Empire Bldg., Denver, Colo. **Underwriter**—Continental Securities, 4307 Montrose Blvd., Houston, Texas.

★ Australus Corp. of America
June 30 (letter of notification) 2,960 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—To purchase control of Australian Essential Oils, Ltd. and inventories and for capital expenditures, etc. **Business**—Chemical products. **Office**—15 Exchange Place, Jersey City, N. J. **Underwriter**—None.

★ Automatic Firing Corp., St. Louis, Mo.
June 30 (letter of notification) $300,000 of seven-year convertible debentures due Aug. 1, 1961 (convertible at rate of one share of $1 par class A common stock for each $2 principal amount of debentures). **Price**—At par (in units of $1,000 each). **Proceeds**—For working capital. **Underwriter**—White & Co., St. Louis, Mo.

★ Basic Atomics, Inc., New York
June 28 (letter of notification) 191,700 shares of common stock (par 10 cents), of which 170,000 shares are for the account of the company and 21,700 shares for the account of selling stockholders. **Price**—$1.50 per share. **Proceeds**—For mining expenses. **Office**—111 Broadway, New York, N. Y. **Underwriter** — Albert Kravitz Co., Washington, D. C.

Basin Natural Gas Corp., Santa Fe, N. Mex.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

★ Bell Loan Co., Inc., Mt. Rainer, Md.
June 24 (letter of notification) 15,462 shares of 7% cumulative preferred stock (par $10) and $50,000 of 6% 10-year subordinated debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—3402 Rhode Island Ave., Mt. Rainer, Md. **Underwriter**—None.

Big Mesa Uranium, Inc., Salt Lake City, Utah
June 16 (letter of notification) 10,850,000 shares of common stock (par 1 cent). **Price** — 2 cents per share. **Proceeds** — For mining expenses. **Office** — Utah Bldg., Salt Lake City, Utah. **Underwriter** — Arlin Davidson, 39 Exchange Place, Salt Lake City, Utah.

Boston Edison Co. (7/26)
June 29 filed $18,000,000 first mortgage bonds, series E, due 1984. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on July 26.

• Bullard Co., Bridgeport, Conn.
June 15 filed 121,440 shares of common stock (par $10) being offered for subscription by common stockholders of record July 7 on the basis of one new share for each five shares held; rights to expire on July 21. **Price**—$32 per share. **Proceeds**—From sale of stock, together with funds from private sale of $2,000,000 of 15-year notes, to be used mainly to finance the building of a new foundry. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane, Hornblower & Weeks and White, Weld & Co., all of New York.

Byrd Oil Corp., Dallas, Texas
June 15 filed 260,000 shares of 6% cumulative convertible class A common stock (par $7.50) to be offered for subscription by common stockholders at rate of one new share for each 2.5 shares held (with a 14-day standby). **Price**—$8.10 per share to stockholders, $9 to public. **Proceeds**—For payment of notes and accounts payable and for working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Texas, and Straus, Blosser & McDowell, Chicago, Ill. (latter handling books).

California Electric Power Co.
April 22 filed 105,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment **Proceeds** — To redeem two issues of $2.50 preferred stock (par $50), totaling 98,800 shares, and, together with proceeds from proposed issue of $8,000,000 of new first mortgage bonds, to redeem $8,000,000 3⅞% bonds presently outstanding. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred.

★ Cavendish Uranium Mines Corp., N. Y. (7/12-16)
June 3 (Regulation "D") 230,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration costs and general corporate purposes. **Office**—37 Wall St., New York. **Underwriter**—James Anthony Securities Corp., New York.

Century Acceptance Corp. (7/12-16)
May 27 (letter of notification) 58,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—1334 Oak Street, Kansas City 6, Mo. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Cherokee Industries, Inc., Oklahoma City, Okla.
May 10 filed 5,000,000 shares of class B non-voting common stock (par 1 cent). **Price**—$1 per share. **Proceeds**—For construction, operating expenses and working capital. **Underwriter**—None.

★ Cherokee Utah Uranium Corp. (7/12)
June 24 (letter of notification) 6,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Salt Lake City, Utah.

Chicago, Aurora & Elgin Ry., Wheaton, Ill.
May 18 (letter of notification) 5,000 shares of common stock. **Price**—At market (estimated at $8.87½ per sh.). **Proceeds**—To Earl C. Nagels, President. **Underwriter**—Rodman & Renshaw, Chicago, Ill.

Chief Consolidated Mining Co.
June 24 filed 1,252,408 shares of preferred stock (par 50 cents) and 626,204 preferred stock purchase warrants to be offered for subscription by common stockholders on the basis of one share of preferred and an option to purchase one additional share of preferred stock. **Price**—55 cents per unit. **Proceeds**—For development program and working capital and general corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter** — None.

NEW ISSUE CALENDAR

July 8 (Thursday)
Chicago, Milwaukee, St. Paul & Pacific RR. ---- **Equipment Trust Ctfs.**
(Bids noon CDT) $5,100,000

(July 9 (Friday)
National Uranium Corp. ---- **Common**
(Jay W. Kaufmann & Co. and Vickers Brothers) $298,000

July 12 (Monday)
Cavendish Uranium Mines Corp. ---- **Common**
(James Anthony Securities Corp.) $230,000
Century Acceptance Corp. ---- **Class A Common**
(Paul C. Kimball & Co.) $290,000
Cherokee Utah Uranium Corp. ---- **Common**
(Cromer Brokerage Co.) $180,000
Harley Patents, Inc. ---- **Common**
(E. E. Smith Co.) $31,250
Inter-Canadian Corp. ---- **Common**
(White, Weld & Co.) $2,500,000
Marion River Uranium Co. ---- **Common**
(Gearhart & Otis, Inc. and Crerie & Co.) $300,000
Mountain Mesa Uranium Corp. ---- **Common**
(Hunter Securities Corp.) $290,000
Sangamo Electric Co. ---- **Common**
(Hornblower & Weeks) 100,000 shares
Whitelock Uranium Co. ---- **Common**
(Havenor-Cayias, Inc.) $120,000

July 13 (Tuesday)
General Telephone Co. of Ohio ---- **Preferred**
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) 60,000 shares
Hercules Cement Co. ---- **Common**
(Offering to stockholders—underwritten by Stroud & Co., Inc.; Reynolds & Co.; Newburger & Co.; and Warren W. York & Co.) 40,555 shares
Missouri Power & Light Co. ---- **Bonds**
(Bids 11 a.m. EDT) $7,500,000
Northern Natural Gas Co. ---- **Debentures**
(Blyth & Co., Inc.) $25,000,000
United Gas Improvement Co. ---- **Bonds**
(Bids noon EDT) $10,000,000

(July 14 (Wednesday)
Peoples Gas Light & Coke Co. ---- **Bonds**
(Bids 10:30 a.m. CDT) $39,950,000
Public Service Co. of New Hampshire ---- **Preferred**
(The First Boston Corp. and Kidder, Peabody & Co.) $7,500,000

July 15 (Thursday)
Arkansas Natural Resources Corp. ---- **Common**
(Eaton & Co., Inc.) $299,500
Great Northern Paper Co. ---- **Preferred**
(White, Weld & Co.) $10,000,000
Harrisburg Steel Co. ---- **Common**
(Reynolds & Co.) about 200,000 shares
Industrial Hardware Mfg. Co. ---- **Common**
(Milton D. Blauner & Co., Inc.) 185,000 shares
King Copper Mining Corp. ---- **Common**
(D. Gleich Co.) $147,500
New York, New Haven & Hartford RR. ---- **Equip. Trust Ctfs.**
(Bids to be invited) $6,600,000
Southern Materials Co., Inc. ---- **Common**
(Bache & Co.) $1,484,375

July 19 (Monday)
Consolidated Gas, Electric Light & Power Co. of Baltimore ---- **Bonds**
(Bids noon EDT) $40,000,000
Pinellas Industries, Inc. ---- **Debentures & Common**
(Eisele & King, Libaire, Stout & Co.) $2,9,360
Western Plains Oil & Gas Co. ---- **Common**
(Irving J. Rice & Co.) $475,000

July 20 (Tuesday)
Northern Pacific Ry. ---- **Equip. Trust Ctfs.**
(Bids to be invited) $5,200,000

July 21 (Wednesday)
Colorado Interstate Gas Co. ---- **Bonds**
(Dillon, Read & Co. Inc.) $30,000,000
Colorado Interstate Gas Co. ---- **Preferred**
(Dillon, Read & Co. Inc.) $11,000,000
General Motors Acceptance Corp. ---- **Debentures**
(Morgan Stanley & Co.) $150,000,000
McDermott (J. Ray) & Co., Inc. ---- **Common**
(Dominick & Dominick and Kidder, Peabody & Co.) 300,000 shares
Ultrasonic Corp. ---- **Common**
(A. C. Allyn & Co., Inc.) 200,000 shares

July 26 (Monday)
Boston Edison Co. ---- **Bonds**
(Bids 11 a.m. EDT) $18,000,000

July 27 (Tuesday)
Consolidated Natural Gas Co. ---- **Debentures**
(Bids 11:30 a.m. EDT) $25,000,000

July 29 (Thursday)
Loma Uranium Corp. ---- **Common**
(French & Co. and Peter Morgan & Co.) $1,250,000

August 9 (Monday)
Pacific Power & Light Co. ---- **Bonds**
(Bids to be invited) $30,000,000

August 24 (Tuesday)
Arkansas Power & Light Co. ---- **Bonds**
(Bids to be invited) $7,500,000

September 28 (Tuesday)
New England Electric System ---- **Common**
(Offering to stockholders—bids to be invited)

★ Colorado Interstate Gas Co. (7/21)
July 1 filed $30,000,000 first mortgage pipe line bonds due July 1, 1974, and 110,000 shares of cumulative preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

Comanche Uranium Co., Inc.
June 17 (letter of notification) 5,000,000 shares of capital stock (par one cent). **Price**—Four cents per share. **Proceeds**—For mining expenses. **Office**—628 S. State St., Salt Lake City, Utah. **Underwriter**—Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

Commercial Uranium Mines, Inc., Denver, Colo.
June 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For exploration. **Office**—704 Ernest & Cranmer Bldg., Denver, Colo. **Underwriter**—Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

• Comstock Uranium & Oil Corp.
June 17 (letter of notification) 1,500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—600 Utah Savings & Trust Bldg., Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co.; Coombs & Co.; Harrison S. Brothers & Co.; W. D. Nebeker & Co.; P. G. Christopulos & Co.; Cromer Brokerage Co.; A. P. Kibbe & Co.; Whitney Investment Co.; James E. Reed Co.; and Walter Sondrup & Co.; all of Salt Lake City, Utah.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Consolidated Gas, Electric Light & Power Co. of Baltimore (7/19)
June 24 filed $40,000,000 of first refunding mortgage sinking fund bonds, series Z, due July 15, 1989. **Proceeds**—Approximately $24,900,000 to be used to redeem 3⅞% series Y bonds and the balance used for construction expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). **Bids**—Expected to be received up to noon (EDT) on July 19.

Consolidated Natural Gas Co. (7/27)
June 25 filed $25,000,000 of 24-year debentures due 1978. **Proceeds**—To redeem on Sept. 1, 1954, a like amount of 3⅞% debentures due 1978. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and The First Boston Corp. (jointly). **Bids**—To be received up to 11:30 a.m. (EDT) on July 27 at 30 Rockefeller Plaza, New York 20, N. Y.

Crown Uranium Co., Casper, Wyo.
June 11 (letter of notification) 2,400,000 shares of common stock (par 5 cents). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—205 Star Bldg., Casper, Wyo. **Underwriter**—Forbes & Co., First National Bank Bldg., Denver 2, Colo.

Danaho Refining Co., Houston, Texas
June 14 filed $625,000 of 6% debentures and 375,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and 30 shares of stock. **Price**—$100 per unit. **Proceeds**—For additions and improvements. **Underwriter**—None.

Danaho Refining Co., Houston, Texas
June 14 filed 110,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For additions and improvements. **Underwriter**—None.

★ Dividend Shares, Inc., New York
July 6 filed 10,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ Eastern Air Lines, Inc.
June 29 filed 200,000 shares of common stock (par $1) to be offered to company's supervisory personnel pursuant to Stock Purchase Plan.

Eastern Utilities Associates
June 9 filed 82,451 shares of common stock (par $10) being offered for subscription by common stockholders of record June 29 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on July 15. **Price**—$29 per share. **Proceeds**—To pay off $2,000,000 bank loans. **Dealer-Manager**—Kidder, Peabody & Co., New York.

Fairchild Engine & Airplane Corp.
June 8 filed 577,551 shares of common stock (par $1) being offered for subscription by common stockholders of record June 29 on basis of one new share for each four shares held; rights to expire July 14. **Price**—$11.25 per share. **Proceeds**—For additional facilities, machinery and equipment and general corporate purposes. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

General Gas Corp., Baton Rouge, La.
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

• General Motors Acceptance Corp. (7/21)
June 30 filed $75,000,000 10-year debentures due 1964 and $75,000,000 15-year debentures due 1969. **Price**—To be supplied by amendment. **Proceeds** — To redeem on July 29 $87,500,000 2¼% debentures and $40,000,000 3¾% debentures and for working capital. **Underwriter**—Morgan Stanley & Co., New York.

★ General Telephone Co. of Ohio (7/13)
June 23 filed 60,000 share of $1.25 cumulative preferred stock (no par value). **Price**—To be supplied by amendment. **Proceeds**—To repay $1,400,000 of bank loans and for additional construction expenditures. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

★ General Waterworks Corp.
June 30 (letter of notification) 29,600 shares of common stock (par $1). **Price**—$10.12½ per share. **Proceeds**—For investments in or advances to certain of its subsidiaries. **Office** — Philadelphia, Pa. **Underwriters** — Townsend, Dabney & Tyson; Schirmer, Atherton & Co.; F. L. Putnam & Co., Inc.; Shea & Co., Inc.; and Hodgdon & Co. (all of Boston, Mass.); The State Investment Co. (Portland, Me.); and McDougal & Condon, Inc. (Chicago, Ill.).

★ Geronimo Uranium Mining Corp.
June 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses. **Office**—345 South State St., Salt Lake City, Utah. **Underwriter**—Carroll, Kirchner & Jacquith, Inc., Denver, Colo.

Gray Manufacturing Co., Hartford, Conn.
June 10 filed 58,119 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Great Northern Paper Co., Bangor, Me. (7/15)
June 25 filed 100,000 shares of cumulative preferred stock, series A (par $100). **Price**—To be supplied by amendment. **Proceeds**—For current expansion and modernization program. **Underwriter**—White, Weld & Co., New York.

Green River Oil & Uranium Co.
June 11 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For oil and mining activities. **Office** — 235 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Rocky Mountain Securities, 508 Atlas Bldg., Salt Lake City, Utah.

• Gulf States Utilities Co.
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed. **Meeting**—Stockholders will vote July 20 on new issue.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Harley Patents, Inc. (7/12)
June 23 (letter of notification) 25,000 shares of capital stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—580 Fifth Ave., New York 36, N. Y. **Underwriter**—E. E. Smith Co., New York.

Hilo Electric Light Co., Ltd., Hilo, Hawaii
May 10 filed 25,000 shares of common stock being offered for subscription by stockholders of record June 5 on the basis of one share for each four shares held. Unsubscribed shares to be offered to employees; rights to expire on July 19. **Price**—At par ($20 per share). **Proceeds**—To repay bank loans and for additions and improvements. **Underwriter**—May be named by amendment.

Hercules Cement Corp. (7/13)
June 22 filed 40,555 shares of common stock (par $10) to be offered for subscription by common stockholders of record June 15, 1954, on the basis of one new share for each four shares held. Expected July 13 with a 14-day standby. **Price**—$25 per share. **Proceeds**—For expansion and modernization. **Underwriters** — Stroud & Co., Inc., Reynolds & Co., and Newburger & Co., all of Philadelphia, Pa.; and Warren W. York & Co., Allentown, Pa.

★ Idaho Iron Mines, Inc.
June 25 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For mining expenses. **Office**—5628 University Way, Seattle, Wash. **Underwriter**—None.

Industrial Hardware Mfg. Co., N. Y. (7/15)
June 14 filed 185,000 shares of common stock (par 50 cents), of which 106,602 shares are to be offered for account of company and 78,398 shares for account of Louis Offerman, Vice-President. **Price**—$3 per share. **Proceeds**—To repay bank loans and pay taxes, and for working caiptal. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Inland Uranium, Inc.
June 17 (letter of notification) 5,000,000 shares of capital stock (par one cent). **Price**—Two cents per share. **Proceeds**—For mining expenses. **Office**—240 S. 2nd St., East, Salt Lake City, Utah. **Underwriter**—Rocky Mountain Securities, 508 Atlas Bldg., Salt Lake City, Utah.

★ Insurance Securities, Inc., Oakland, Calif.
July 1 filed participating agreements of 14,028 units of $1,000 each upon the Single Payment Plan, Series U, and 13,310 units of $1,200 each upon the Accumulative Plan, Series E, in total amount of $30,000,000.

• Inter-Canadian Corp., Chicago, Ill. (7/12)
April 19 filed 100,000 shares of common stock (par $1). **Price**—$25 per share. **Proceeds**—For venture or semi-venture investment situations in Canada. **Underwriter**—White, Weld & Co., New York.

★ International Bank of Washington
June 21 (letter of notification) 60,000 shares of common stock to be offered first to stockholders of record June 18 at the rate of two new shares for each three shares held. **Price** — At par ($5 per share). **Proceeds** — For working capital. **Office**—726 Jackson Place, N. W., Washington, D. C. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

★ International Insurance Co., Montgomery, Ala.
June 25 (letter of notification) 90,000 shares of common stock (par $1), covered by preorganization subscriptions (filed by International Issuing Corp.). **Price** — $3 per share. **Proceeds**—For reserves and surplus. **Underwriter**—None.

Interstate Uranium, Inc., Salt Lake City, Utah
June 14 (letter of notification) 10,000,000 shares of common stock (par 1 cent). **Price** — 3 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Cayias Brokerage Co., Salt Lake City, Utah.

Kendon Electronics Co., Inc.
April 21 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 18 Clinton Street, Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York, N. Y.

• King Copper Mining Corp. (7/15)
June 2 (filed under Regulation "D") 295,000 shares of capital stock (par $1). **Price**—50 cents per share. **Proceeds**—For expansion, diamond drilling, working capital and general corporate purposes. **Office**—1519 Pine Ave., West, Montreal, Canada. **Underwriter**—D. Gleich Co., New York.

Las Vegas Continental Hotel, Inc.
May 17 filed 500,000 shares of preferred capital stock (par $9.90) and 500,000 shares of common capital stock (no par—10¢ stated value) to be offered in units of one preferred and one common share. **Price**—$10 per unit. **Proceeds**—To build and operate a luxury hotel and for working capital. **Office**—Las Vegas, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

Loma Uranium Corp., Denver, Colo. (7/29)
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriters**—French & Co., Houston, Tex., and Peter Morgan & Co., New York.

• Long Island Lighting Co.
June 17 filed 690,062 shares of common stock (par $10) being offered for subscription by common stockholders of record July 7 on the basis of one new share for each eight shares held; rights to expire on July 22. An additional 64,685 shares are being offered for subscription by officers and employees. **Price** — $19.75 per share. **Proceeds**—To reduce bank loans incurred for construction. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York.

★ Lost Chord Mining Co., Inc.
June 25 (letter of notification) 500 shares of common stock (no par). **Price**—$100 per share. For mining expenses. **Office**—2151 Sunset Ave., Seattle, Wash. **Underwriter**—None.

• Marion River Uranium Co. (7/12-13)
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriters**—Gearhart & Otis, Inc., New York; and Crerie & Co., Houston, Tex.

★ Marsh Steel Corp., No. Kansas City, Mo.
June 21 (letter of notification) 2,850 shares of common stock (par $10). **Price**—$17.50 per share. **Proceeds**—To Marvin B. Marsh, President, the selling stockholder. **Office**—101 East 9th St., North Kansas City, Mo. **Underwriter**—The First Trust Co. of Lincoln, Neb.

McCluskey Wire Co., Inc., New Haven, Conn.
June 21 (letter of notification) $95,000 of 5% debentures, series A, due July 1, 1962, and $95,000 of 6% debentures, series B, due July 1, 1970. **Proceeds**—To acquire assets

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and business of H. & T. McCluskey & Sons, Inc. **Office**—527 Grand Avenue, New Haven, Conn. **Underwriter**—Barnes, Bodell & Goodwin, Inc., New Haven, Conn.

McDermott (J. Ray) & Co., Inc. (7/21)
June 29 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Business**—Contracting and engineering services for inshore and offshore drilling. **Underwriters**—Dominick & Dominick and Kidder, Peabody & Co., both of New York.

McNeil Machine & Engineering Co.
June 17 (letter of notification) 4,500 shares of common stock (par $5). **Price**—At market. **Proceeds**—To Frank H. Jennings, the selling stockholder. **Underwriter**—McDonald & Co., Cleveland, O.

★ Merchants Acceptance Corp., Worcester, Mass.
June 28 (letter of notification) 8,474 shares of class A common stock (no par) to be offered in exchange for 11,512 shares of common stock of Guardian Credit Corp. on the basis of 0.73 share of Merchants Acceptance stock for each Guardian share. Offer expires July 30, 1954. **Price**—$18 per share. **Underwriter**—G. H. Walker & Co., Providence, R. I.

Merritt-Chapman & Scott Corp.
June 4 filed 286,027 shares of common stock (par $12.50) being offered for subscription by common stockholders of record June 25 on the basis of one new share for each five shares held (with an oversubscription privilege). Rights will expire on July 19. **Price**—$21 per share. **Proceeds**—To retire $4,050,000 of 4½% notes held by an insurance company and for further expansion. **Underwriter**—None.

★ Michigan Planet Corp., Chicago, Ill.
June 21 (letter of notification) 5,000 shares of common stock to be offered for subscription by employees. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—None.

Midland General Hospital, Inc., Bronx, N. Y.
May 17 filed 900 shares of common stock (no par). **Price**—$1,000 per share. **Proceeds**—To erect a hospital in the Borough of Paramus, N. J., and for working capital, etc. **Underwriter**—None.

Mission Indemnity Co., Pasadena, Calif.
March 29 filed 600,000 shares of common stock (par 65 cents) to be offered first to stockholders and to general public. **Price**—$2 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Missouri Power & Light Co. (7/13)
June 10 filed $7,500,000 of first mortgage bonds due 1984. **Proceeds**—To redeem outstanding $4,000,000 3⅝% bonds on Aug. 19, 1954, to repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Kidder, Peabody & Co., Shields & Co. and Auchincloss, Parker & Redpath (jointly); Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; Carl M. Loeb, Rhoades & Co. and American Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on July 13 by company at 60 Broadway, New York 4, N. Y.

Missouri Public Service Co.
April 23 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding first preferred stock ($3,475,000), to repay $750,000 bank loans and the balance for construction program. **Underwriter**—Kidder, Peabody & Co., New York. **Offering** — Postponed indefinitely.

Morarch Uranium Co., Salt Lake City, Utah
June 21 (letter of notification) 2,000,000 shares of capital stock (par four cents). **Price**—Six cents per share. **Proceeds** — For mining expenses. **Office** — 530 Judge Building, Salt Lake City, Utah. **Underwriter**—James E. Reed Co., Salt Lake City, Utah.

Monterey Oil Co., Los Angeles, Calif.
Feb. 2 filed 257,338 shares of common stock (par $1). **Price**—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. **Proceeds**—To Lehman Brothers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). **Underwriter**—None. No general offer planned.

★ Mountain Mesa Uranium Corp. (7/12-16)
June 23 (letter of notification) 1,450,000 shares of common stock (par 5 cents). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—308-9 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Hunter Securities Corp., New York.

Mountain States Uranium, Inc.
May 18 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—1117 Miner St., Idaho Springs, Colo. **Underwriter**—Underwriters, Inc., Sparks, Nev.

★ Musical Acceptance Corp., Altadena, Calif.
June 25 (letter of notification) 7,500 shares of 6% cumulative convertible preferred stock (convertible on a share-for-share basis) and 5,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For investment purposes and working capital. **Office**—2086 Lincoln Ave., Altadena, Calif. **Underwriter**—None.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

● National Uranium Corp., New York (7/9-12)
June 17 (letter of notification) 298,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—25 Broadway, New York, N. Y. **Underwriter**—Jay W. Kaufmann & Co. and Vickers Brothers, both of New York.

New Mexico Copper Corp., Carrizozo, N. M.
June 14 (letter of notification) 198,000 shares of capital stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For acquisition of power plant, improvement of mill, development of properties and general corporate purposes. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

North Electric Manufacturing Co.
June 16 (letter of notification) 20,322 shares of common stock (par $10), to be offered for subscription by common stockholders of record July 1, 1954; rights to expire on Aug. 2, 1954. **Price**—$12 per share. **Proceeds**—To repay loans. **Office**—501 S. Market St., Galion, O. **Underwriter**—None.

Northern Natural Gas Co. (7/13)
June 23 filed $25,000,000 of sinking fund debentures. **Price**—To be supplied by amendment. **Proceeds**—For property additions and improvements. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

★ Pacific Power & Light Co. (8/9)
July 2 filed $30,000,000 first mortgage bonds due Aug. 1, 1984. **Proceeds**—$24,934,542 to be used to refund all outstanding bonds of Mountain States Power Co. (merged with Pacific Power & Light Co.), and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and White, Weld & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly). **Bids** — Expected to be received on Aug. 9.

Pacific Telephone & Telegraph Co.
May 7 filed 1,004,603 shares of common stock to be offered for subscription by common and preferred stockholders in the ratio of one share for each seven shares of common and/or preferred stock held. **Price**—At par ($100 per share). **Proceeds**—To reduce bank borrowings. **Underwriter**—None.

Pacific Western Oil Corp.
June 25 filed 100,000 shares of common stock (par $4). **Price**—At market. Shares to be offered from time to time on the New York Stock Exchange, and may be offered to specific persons, firms or corporations in off-the-floor sales. **Proceeds**—To J. Paul Getty, President. **Underwriter**—None.

● Peoples Gas Light & Coke Co. (7/14)
June 14 filed $39,950,000 first and refunding mortgage bonds, series I, due July 1, 1979. **Proceeds**—To redeem $15,000,000 series F bonds and $24,950,000 series H bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp; Glore, Forgan & Co.; Kuhn, Loeb & Co. **Bids**—To be received up to 10:30 a.m. (CDT) July 14 at 122 So. Michigan Ave., Chicago 3, Ill.

Petaca Mining Corp., Santa Fe, N. Mex.
June 9 filed 600,000 shares of cumulative sinking fund preference stock and 300,000 shares of 10-cent par common stock to be offered in units of two preference shares and one common share. **Price**—$3 per unit. **Proceeds**—To retire 40,526 shares of outstanding preferred stock, for power line extensions and electric transformers, equipment and machinery, exploration and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

● Pinellas Industries, Inc. (7/19)
June 15 (letter of notification) $241,610 of 8% convertible debentures due 1964, and 16,500 shares of class A common stock (par $1). **Price**—Of debentures, at par; and of stock, $3.50 per share. **Proceeds**—To construct plant and for working capital. **Office**—34th Street and 22nd Avenue, North, Petersburg, Fla. **Underwriter** — Eisele & King, Libaire, Stout & Co., New York.

★ Porter International Co., Washington, D. C.
June 22 (letter of notification) 640 shares of preferred stock and 6,400 shares of common stock, each share of preferred containing an option to purchase 10 shares of common stock at any time prior to July 1, 1958. **Price**—Of preferred, $100 per share; and of common, $1 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—1025 Connecticut Ave., N. W., Washington 6, D. C. **Underwriter**—None.

Pubco Development, Inc., Albuquerque, N. M.
June 16 filed 908,967 shares of common stock (par $1) to be issued and sold at $1 per share upon exercise of outstanding subscription warrants (dates advanced to period July 15 through Oct. 15). **Proceeds**—For general corporate purposes. **Underwriter**—None.

Public Service Co. of New Hampshire (7/14)
June 25 filed 75,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding 50,000 shares of $100 par 5.40% preferred stock and to reduce bank loans. **Underwriter**—The First Boston Corp. and Kidder, Peabody & Co.

★ Rainbow Mining Co., Fort Worth, Texas
June 24 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office** — 419 W. T. Waggoner Bldg., Fort Worth, Tex. **Underwriter**—None.

Royal Uranium Corp., Salt Lake City, Utah
June 14 (letter of notification) 2,500,000 shares of capital stock (par five cents). **Price**—Six cents per share. **Proceeds**—For mining expenses. **Office** — Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Whitney Investment Co., Salt Lake City, Utah.

Sangamo Electric Co., Springfield, Ill. (7/12)
June 18 filed 100,000 shares of common stock (par $10). **Price**—To be related to market price on the New York Stock Exchange at time of offering. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Hornblower & Weeks, New York.

★ Scott Uranium, Inc., Loveland, Colo.
June 24 (letter of notification) 24,624 shares of class B common stock (no par). **Price**—$10 per share. **Proceeds**—For mining expenses. **Office**—1309 Garfield, Loveland, Colo. **Underwriter**—Lon D. Minier, 416 W. 12th St., Loveland, Colo.

Smith-Dieterich Corp.
May 27 (letter of notification)) 1,775 shares of common stock. **Price**—At par ($2.50 per share). **Proceeds**—To P. Stanley Smith, the selling stockholder. **Office**—50 Church St., New York, N. Y. **Underwriter**—Cooke and Lucas, New York City.

Somerset Telephone Co., Norridgewock, Me.
June 11 (letter of notification) 2,200 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For expansion and new equipment. **Underwriters**—E. H. Stanley & Co., Waterville, Me.; and Clifford J. Murphy Co., Portland, Me.

Southern Materials Co., Inc., Norfolk, Va. (7/15)
June 25 filed 156,250 shares of common stock (par $2). **Price**—$9.50 per share. **Proceeds**—To Clyde F. Gregson, President, and four other officers of company. **Underwriter**—Bache & Co., New York.

★ State Fire & Casualty Co., Miami, Fla.
June 28 (letter of notification) 48,730 shares of class B common stock (par $1). **Price**—$3.75 per share. **Proceeds** To increase capital and surplus. **Office**—8628 N. E. 2nd Ave., Miami, Fla. **Underwriter**—A. M. Kidder & Co., Miami, Fla.

★ Strategic Minerals Development Co.
June 22 (letter of notification) 50,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—131 West Second St., Reno, Nev. **Underwriter**—None.

Sun Oil Co., Philadelphia, Pa.
April 15 filed a maximum of 139,662 shares of common stock (no par) to be offered for possible public sale during the period July 1, 1954 to June 30, 1955. **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—None. The shares will be sold through brokerage houses.

Taylorcraft, Inc., Conway, Pa.
April 30 (letter of notification) 150,000 shares of 6% cumulative convertible preferred stock, of which 100,000 shares will be offered to public and 50,000 shares to creditors. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Texas International Sulphur Co., Houston, Texas
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers & Co., New York, on a "best efforts" basis.

Three-In-One Gold Mines Corp., Reno, Nev.
May 3 (letter of notification) 1,993,333⅓ shares of capital stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—139 N. Virginia St., Reno, Nev.

★ Tri-State Uranium Co., Salt Lake City, Utah
June 30 (letter of notification) 500,000 shares of common stock (par 4 cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office** — 270 South State St., Salt Lake City, Utah. **Underwriter**—None.

Trican Petro-Chemical Corp., Montreal, Canada.
April 30 filed 500,000 shares of common stock (par $1). **Price** — To be related to the market price at time of offering. **Proceeds**—For development costs and general corporate purposes. **Underwriter** — To be named by amendment.

Ultrasonic Corp., Cambridge, Mass (7/21)
June 28 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

★ Union Compress & Warehouse Co., Memphis, Tenn.
June 25 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To 35 selling stockholders. **Underwriters** — Leftwich & Ross and Mid-South Securities Co., both of Memphis, Tenn.

United Benefit Fire Insurance Co., Omaha, Neb.
June 14 (letter of notification) 25,000 shares of common stock to be offered first to stockholders. **Price**—At par ($10 per share). **Proceeds**—To increase surplus. **Office**—2565 St. Mary's Ave., Omaha, Neb. **Underwriter**—Stewart, Smith & Co., Inc., New York, N. Y.

United Gas Improvement Co. (7/13)
June 11 filed $10,000,000 of first mortgage bonds due 1979. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co.; Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.; Blair, Rollins & Co. Inc. **Bids**—To be received by the company in Philadelphia, Pa., up to noon (EDT) on July 13.

★ United Manufacturing Co., Bedford, Ohio
June 24 (letter of notification) 700 shares of class A preferred stock (par $100) and 700 shares of common stock (par $10) to be offered in units of one share of each class of stock. **Price**—$110 per unit. **Proceeds**—For equipment and working capital. **Office**—30 Interstate St., Bedford, Ohio. **Underwriter**—None.

★ United Security Life, Phoenix, Ariz.
July 6 filed 1,900,000 shares of class A non-voting common stock (par $1), to be offered only by subscription agreement, payable in instalments not less frequently than monthly over five years. **Price**—$2.50 per share. **Proceeds** — To strengthen capital and surplus accounts. **Underwriter** — None, the offering to be made through salesmen.

★ U. S. Thermo Control Co.
June 28 (letter of notification) 25,000 shares of common stock (par $1). **Price** — At market. **Proceeds** — To two selling stockholders. **Underwriters** — Paine, Webber, Jackson & Curtis; Harris, Upham & Co.; and/or George F. Breen, Sr., all of New York.

Uranium Industries, Inc., Grand Junction, Colo.
June 23 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Petroleum Finance Corp., Oklahoma City, Okla.

Utco Uranium Corp., Denver, Colo.
June 18 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—718 Majestic Building, Denver, Colo. **Underwriter**—Amos C. Sudler & Co., Denver, Colo.

★ Voss Oil Co., Newcastle, Wyo.
July 1 filed 336,800 shares of common stock (par $1). **Price**—To be related to market. **Proceeds**—To 40 selling stockholders. **Underwriters**—John R. Lewis, Inc., Seattle, Wash.; and Coburn & Middlebrook, Inc. and Glidden, Morris & Co., both of New York. The registration statement also covers 2,413,200 shares of common stock which may be offered from time to time (but do definite plans are given).

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29.000.000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White. Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering—Postponed** indefinitely.

Western Plains Oil & Gas Co. (7/19-23)
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

★ Whitelock Uranium Co., Price, Utah (7/12)
June 24 (letter of notification) 4,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For development expenses. **Office**—17 South Carbon Ave., Price, Utah. **Underwriter** — Havenor-Cayias, Inc., Salt Lake City, Utah.

Williston Basin Oil Ventures, Inc.
May 20 (letter of notification) 2,500,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration costs. **Office** — 420 Fidelity Bank Bldg., Oklahoma City, Okla. **Underwriter**—Tellier & Co., Jersey City, N. J.

Wyton Oil & Gas Corp., Newcastle, Wyo.
April 20 filed 1,000,000 shares of common stock (par $1). **Price**—$1.12½ per share. **Proceeds**—For general corporate purposes. **Underwriter** — National Securities Corp., Seattle, Wash., on a "best efforts basis."

Prospective Offerings

American Natural Gas Co.
April 28 stockholders approved a proposal to increase the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders. **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

American Telephone & Telegraph Co.
June 30 it was reported the company is planning a huge issue of straight debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

Arkansas Power & Light Co. (8/24)
Feb. 8 it was reported company plans to sell an issue of about $7,500,000 first mortgage bonds due 1984. **Proceeds**—To redeem $4,900,000 of outstanding bonds and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Expected about Aug. 24.

Central of Georgia Ry.
Bids are expected to be received by this company in July for the purchase from it of about $2,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Chicago, Milwaukee, St. Paul & Pacific RR. (7/8)
Bids will be received by the company at Room 744, Union Station Bldg., Chicago 4, Ill., up to noon (CDT) on July 8 for the purchase from it of $5,100,000 equipment trust certificates, series SS, to be dated July 1, 1954, and to mature in 30 equal semi-annual instalments of $170,000 each from Jan. 1, 1955 to July 1, 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

City Title Insurance Co., N. Y. C.
May 20, it was announced that company is planning to issue and sell not to exceed $1,000,000 of new preferred stock. **Proceeds**—For working capital. **Underwriter**—Chilson, Newberry & Co., Inc., Kingston, N. Y.

Colorado-Western Pipeline Co.
March 5 it was announced company has applied to Colorado P. U. Commission for authority to build a $21,500,000 natural gas pipe line, in Colorado, to be financed through sale of about 70% of bonds and 30% of equity capital. John R. Fell, a partner of Lehman Brothers, is a Vice-President.

Columbia Gas System, Inc.
March 5 it was announced company plans to issue and sell later this year $40,000,000 additional senior debentures (in addition to $40,000,000 debentures due 1979 for which bids are expected to be received on June 28—see a preceding column under "Securities Now in Registration"). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Cott Beverage Corp.
May 5 it was reported 160,000 shares of common stock are to be publicly offered—100,000 shares for account of company and 60,000 shares for selling stockholders. **Price**—In neighborhood of $10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Ira Haupt & Co., New York.

Daystrom, Inc.
June 28 stockholders approved a proposal to permit the issuance of convertible debentures at the discretion of the board of directors, and authorized an issue of 200,000 shares of cumulative preferred stock (no par) and increased the authorized common stock (par $10) from 1,250,000 shares to 2,000,000 shares. No immediate financing is planned.

Florida Power Corp.
March 27, it was announced that the company plans new financing late this summer which would require issuance of common stock and probably $10,000,000 of bonds. **Proceeds** — For new construction. **Underwriters** — For common stock (first to common stockholders), Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). Common stock was increased by stockholders on March 25 from 2,500,000 shares to 5,000,000 shares, and the preferred stock from 250,000 shares to 500,000 shares.

Food Fair Stores, Inc.
June 18 it was announced stockholders will vote Aug. 24 on increasing the authorized indebtedness from $25,000,000 to $35,000,000. In February, 1953, a $12,500,000 4% debenture issue was sold through Eastman, Dillon & Co., New York. **Proceeds** — To refinance $12,500,000 outstanding 4% sinking fund debentures due Feb. 1, 1973, and for expansion.

General Beverage Canning Co. of Florida
June 15 it was reported company plans to issue and sell 300,000 shares of common stock. **Price**—$1 per share. **Underwriters** — Roman and Johnson, Fort Lauderdale, Fla., and possibly Aetna Securities Corp., New York.

General Beverage Canning Co. of Tennessee
June 15 it was reported company plans to sell around 300,000 to 400,000 shares of common stock. **Price**—$1 per share. **Underwriter** — Elder & Co., Chattanooga, Tenn.

Green River Steel Corp.
June 9 it was reported company is planning to issue and sell $2,000,000 of 15-year first mortgage convertible bonds. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

★ Harrisburg Steel Co. (8/2-6)
June 28 it was reported company plans to issue and sell about 200,000 shares of common stock. **Underwriter**—Reynolds & Co., New York. **Registration**—Planned for about July 15.

★ Hudson Pulp & Paper Co.
June 28 it was reported company may be considering some new financing. **Underwriter**—Lee Higginson Corp., New York.

Indiana & Michigan Electric Co.
Jan. 27 it was announced company plans to sell around November, 1954, an issue of about $16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Underwriter** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp.

International Bank of Reconstruction and Development ("World Bank")
June 23 it was reported this Bank may sell late this year about $100,000,000 additional bonds. **Underwriters**—Morgan Stanley & Co. and The First Boston Corp. and associates.

Kansas City Power & Light Co.
March 8 it was announced that company may sell in the latter part of 1954 $16,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp. **Meeting**—Stockholders on April 27 aprpoved new financing.

★ Kansas Power & Light Co.
May 4, D. E. Ackers, President, announced that the company plans to sell approximately $10,000,000 of bonds later this year. **Proceeds**—To repay bank loans and for construction purposes. **Underwriter**—Previous bond sale was done privately through The First Boston Corp.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell $15,000,000 first mortgage bonds, series F. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids** — Expected to be received in October or November.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell to its common stockholders some additional common stock, either on a 1-for-9 or an a 1-for-10 basis. At April 30, 1954, there were outstanding 2,286,784 shares. **Underwriters**—Previous common stock offering, in April, 1953, was underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Sons and associates.

Long Island Lighting Co.
April 20 it was announced company plans later in 1954 to issue $20,000,000 mortgage bonds. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

McBride Oil & Gas Corp.
June 23 it was announced 1,500,000 shares of capital stock will be publicly offered this month. **Price**—$1 per share. **Proceeds**—To finance improvements. **Underwriter**—Kramer, Makris & Co., Houston, Tex.

Mercantile National Bank of Dallas, Texas
July 1 it was announced bank plans to offer to its stockholders 175,000 additional shares of capital stock (par $10). **Price**—$22.50 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Previous offering was underwritten by Rauscher, Pierce & Co. and First Southwest Co., both of Dallas, Texas.

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

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Montana-Dakota Utilities Co.
March 17 it was reported that company plans to issue and sell late this year some additional first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

Mountain States Telephone & Telegraph Co.
June 16 it was reported company plans to issue and sell $20,000,000 of debentures. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dean Witter & Co. and Drexel & Co. (jointly); Morgan Stanley & Co. **Bids** — Expected to be received somtime in August.

National Fuel Gas Co.
June 25, L. A. Brown, President, announced that the company plans to offer additional common stock to common stockholders this Fall on a 1-for-10 basis (with an oversubscription privilege). **Proceeds**—For construction program. **Underwriter** — None. **Registration**—Expected in October, 1954.

New England Electric System (9/28)
April 29 it was announced company plans to offer to its common stockholders next Fall additional common stock on a 1-for-10 basis. There are outstanding 9,108,824 common shares. **Proceeds** — For construction program of subsidiaries. **Underwriters** — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on Sept. 28.

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

New York, New Haven & Hartford RR. (7/15)
May 26 it was reported company will offer and sell $6,600,000 equipment trust certificates due Jan. 1, 1955 to 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc. **Bids**—Expected July 15.

Northern Pacific Ry.
June 14 it was reported that company may consider a refunding program in September. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.

• Northern Pacific Ry. (7/20)
Bids are expected to be received by this company on July 20 for the purchase from it of about $5,200,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Northern States Power Co. (Minn.)
Feb. 8 it was reported company is planning the issuance and sale of approximately $20,000,000 of first mortgage bonds due 1984 in October of 1954. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

★ Northern States Power Co. (Minn.)
July 2 it was reported company may refund $20,000,000 of $4.80 cumulative preferred stock (par $100). **Underwriter** — May be determined by competitive bidding. Probable bidders: Smith, Barney & Co.; Lehman Bros. and Riter & Co. (jointly).

★ Pan-American Uranium Corp., Salt Lake City, Utah
June 30 it was announced that this company presently privately owned and financed, will have authorization for the issuance of 5,000,000 shares of stock. Any public financing may be handled by Kramer, Makris & Co., Houston, Tex.

Pembina Pipe Line Co. (Canada)
April 14 it was announced company has been granted the right to obtain a permit to build a 72-mile pipe line to transport crude oil from the Pembina Oil Field in Alberta to Edmonton. Financing will be handled jointly by Mannix Ltd. of Calgary, Dome Exploration (Western) Ltd. of Toronto, and Carl M. Loeb, Rhoades & Co. of New York.

• Pioneer Natural Gas Co.
June 14 it was reported holdings of 767,721 shares of this company's capital stock (par $7.50) will soon be sold by Sinclair Oil Corp. **Bids**—This issue was awarded to Union Securities Corp., Lehman Brothers and Wertheim & Co. and associates., on July 7 on a bid of $22.10 per share.

Public Service Co. of Colorado
April 12 it was reported company plans to finance its 1954 construction program through temporary bank loans, with permanent financing delayed until later in the year. Previously, the company had planned to float an issue of $15,000,000 first mortgage bonds, due 1984, early in 1954. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Puget Sound Power & Light Co.
April 5 the directors approved a program designed to refund the company's long-term debt. Bidders may include Halsey, Stuart & Co. Inc.; Lehman Brothers; Stone & Webster Securities Corp.

Resources of Canada Investment Fund, Ltd.
April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

Ritter Finance Co.
June 8 it was announced stockholders will on Aug. 17 vote on increasing the authorized preferred stock (par $50) from 14,000 shares to 50,000 shares, and the authorized class B common (par $1) from 950,000 shares to 2,000,000 shares. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

Rochester Gas & Electric Corp.
May 17 it was reported company may issue and sell this year some additional bonds and preferred stock. **Proceeds** — For new construction. **Underwriters** — (1) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Shields & Co.; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). (2) For preferred stock, The First Boston Corp.

San Diego Gas & Electric Co.
April 28 it was reported company plans to offer late in 1954 (probably first to stockholders) 800,000 shares of additional common stock. **Underwriter** — Blyth & Co., Inc., San Francisco and New York.

St. Joseph Light & Power Co.
March 30, C. A. Semrad, President, announced that the company may raise new money this year through the sale of $1,000,000 first mortgage bonds or from temporary bank loans for its 1954 construction program, which, it is estimated, will cost $1,661,000. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.

Scott Paper Co.
April 27 stockholders approved proposals which increased the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Seattle Trust & Savings Bank (Wash.)
June 16 it was announced that stockholders of record June 23 will be offered rights to subscribe on or before July 18 for 2,000 additional shares of $50 par capital stock on basis of one new share for each eight shares held. **Price**—At not less than $85 per share.

Shasta Water Co.
June 24 it was reported the directors plans to issue and sell some additional common stock (par $2.50), probably between 20,000 and 40,000 shares.

Southern California Edison Co.
June 4, Harold Quentin, President, may sell later this year $25,000,000 of bonds or preferred stock. **Proceeds**—For construction program. **Underwriters** — (1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Dean Witter & Co. (jointly). (2) For preferred stock, previous financing was handled by The First Boston Corp. and Dean Witter & Co. (jointly).

Standard Coil Products Co.
June 21 it was reported an issue of about 200,000 shares of common stock will be registered with the SEC. **Price**—To be named later. **Proceeds**—To selling stockholders. **Underwriters**—A. C. Allyn & Co. Inc. and Dempsey & Co., both of Chicago, Ill.

Tennessee Gas Transmission Co.
May 24 it was reported company plans issuance and sale of $20,000,000 of debentures later in 1954 (in addition to $25,000,000 bonds filed May 26 with SEC). **Proceeds**—For new construction. **Underwiters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

★ Thompson-Starrett Co., Inc.
July 1 it was announced new Thompson-Starrett Co. (following merger of Roberts & Schaefer Co.) plans to issue and sell at an early date 145,000 shares of convertible preferred stock (par $10). **Proceeds** — To retire bank loans. **Underwriters**—Blair, Rollins & Co. Inc. and Emanuel Deetjen & Co., both of New York.

Trans-Canada Pipe Lines, Ltd.
March 26 it was annouced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately $292,000,000, which would be financed through the issuance of about $36,500,000 each of common stock and debentures and $219,000,000 of first mortgage bonds. **Underwriters**—Lehman Brothers and Wood, Gundy & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Tri-Continental Corp.
March 30 stockholders voted to reclassify 500,000 shares of presently authorized but unissued $6 cumulative preferred stock, without par value, into 1,000,000 shares of a new class of preferred stock, $50 par value, making possible a refunding of the outstanding $6 preferred stock at an appropriate time, when conditions warrant. **Underwriter**—Union Securities Corp., New York.

United States Steel Corp.
June 29, Benjamin F. Fairless, Chairman, announced that the corporation will sell $300,000,000 of serial debentures maturing in one to 10 years, of which $225,000,000 principal amount will be offered publicly and $75,000,000 reserved for offering to the United States Steel & Carnegie Pension Fund, trustee of a pension fund established for the benefit of United States Steel Corp. employees. **Proceeds**—To restore in part working capital expended in recent years in the corporation's expansion and modernization program. **Underwriter**—Morgan Stanley & Co., New York. **Registration**—Will be made as soon as possible.

• Valley National Bank of Phoenix (Ariz)
July 8 Bank offered 200,000 additional shares of capital stock (par $5) to stockholders on a 1-for-5 basis; rights to expire on July 23. **Price**—$22 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—William R. Staats & Co. and Blyth & Co., Inc.

Welex Jet Services, Inc.
June 14 it was reported company may in September announce plans to issue and sell additional common stock to stockholders. **Underwriter**—If underwritten, it may be Laird & Co., Wilmington, Del. Two previous offerings to stockholders were not underwritten.

West Coast Transmission Co.
Oct. 14, 1953, it was announced company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Western Pacific RR. Co.
June 4 it was announced stockholders will vote June 30 on approving a proposal to allow company to sell first and refunding bonds without obtaining approval of preferred stockholders. It is planned to issue and sell $6,500,000 of these bonds. **Proceeds** — To reimburse company for capital expenditures already made and for future improvements. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly).

Wheeling Electric Co.
June 28 it was announced company plans permanent financing. **Proceeds**—To retire bank loans. **Underwriter**—Previous bond financing in 1922 was handled by Dillon, Read & Co. Inc.

Continued from page 2

The Security I Like Best

ingredient which so many of us lack.

I believe that the necessity for a degree of patience and the fact that the stock is actually not known to enough investors has led to the general lack of appreciation of Texas Eastern Production common. By that I do not mean that the stock now should necessarily be selling at a substantially higher figure than the present 7¾, but I do think that recognition should be given the possibilities of this picture becoming a substantial part of the overall Texas Eastern Transmission situation. (The stock is traded in the Over-the-Counter market.)

It was just a little over a year ago that the Transmission Company offered its stockholders the right to buy the Production Corporation stock at $10 per share. The offering was not considered successful as far as public participation was concerned, but under the terms of the agreement, Texas Eastern Transmission purchased all of the unsubscribed stock at the same price. This purchase, together with other subscriptions and cash advances later turned into stock at $10 per share, has resulted in Texas Eastern Transmission owning 68% of the outstanding common. Thus, since organization of the company in 1950, there has been issued a total of 2,231,268 shares, all at $10. The public and the principal stockholders are therefore all in on an equal footing.

The company has recently issued its first annual report since public participation in the stock and this divulges an interesting and encouraging picture of progress and development since the organization of the company. Operations are divided into three major divisions, one in West Texas, one in South Texas, and the third in the Louisiana Gulf Coast area.

The close of 1953 saw the company owning an interest in 34 producing wells, consisting of eight oil wells, six condensate wells and 20 gas wells. During 1953 exploration and development activities resulted in the drilling of 19 wells in which the company had an interest. Of these, seven were completed as oil wells, three as gas wells and nine were dry holes. On April 1, 1954, producing wells totaled 43, not including one shut-in gas well. The company has had a seemingly very successful experience in well drilling with a 37% success ratio on 27 exploratory tests and an 81% ratio on 16 development wells. Recent advices tell of the successful deepening of a well in Andrews County, Texas, originally completed as a Devonian well a year ago, and now is becoming a dual producer from that formation and from the Ellenberger. Also the company has successfully completed in a new pay zone its third well in the north Rowan field of Brazoria County, Texas. These three wells show excellent production.

The company's management is pursuing an active exploratory and development program. The management, by the way, is not the least of the reasons for the enthusiasm for this picture. H. A. Hemphill, President, came to the company from Magnolia, where he had been for 18 years, and is very well regarded as a geologist and all-around able oil and gas man. The board of directors has, among others, the Brown brothers of Houston, E. De Golyer, a partner of De Golyer & MacNaughton, and George T. Naff, President of Texas Eastern Transmission. The management is aggressive and knowledgeable of the business and indications point to a continued buildup of reserves and properties of the company. No reserve figures have been published as yet and may not be for a while until the company has some additional drilling experience behind it.

In the first several years of its operations, as is not uncommon in a company of this type, operating losses have been shown. However, as against 1953 gross of $1,546,000, it is estimated, on the basis of daily production for the first quarter of 1954, that gross should reach $2,418,000 this year, and I believe that that figure is conservative.

The company, with funds supplied by Texas Eastern Transmission, purchased early this year the Triangle Pipeline Co. This company, bought for approximately $3,250,000, showed net after taxes last year of $688,000 and, when consolidated with Texas Eastern Production income account, will give the Production Company a substantial amount of cash for development work by reason of tax loss offsets. $31,000 was shown as a consolidated net profit figure for the first quarter of this year by the Production Company. The Transmission Company has the right to purchase Triangle from Production for the next two years at cost plus any increase in the earned surplus account on the books of Triangle since the date of purchase.

I believe that this stock is worth consideration as a relatively conservative speculation in the oil and gas business, where your money is being handled by people who are able and experienced and successful men in this field.

Joins Pierre Smith

(Special to THE FINANCIAL CHRONICLE)

ELYRIA, Ohio—Donn M. Barber is now with Pierre R. Smith & Co., Elyria Savings & Trust Building, members of the Midwest Stock Exchange.

Joins Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Mrs. Ella Mae Winans has been added to the staff of Foster & Marshall, U. S. National Bank Building.

With Standard Inv.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James R. Blackwell has become affiliated with Standard Investment Co. of California, 210 West Seventh St.

Joins H. L. Jamieson Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Geo. R. Barber has been added to the staff of H. L. Jamieson & Company, Russ Building.

Long Island Lighting Offers Common Shares

Long Island Lighting Co. is offering to holders of its common stock rights to subscribe for 690,062 additional shares of common stock on the basis of one new share for each eight shares held on July 7, 1954. The subscription price is $19.75 per share.

Transferable warrants expire at 3:30 p.m. (EDT) on July 22, 1954, and no fractional shares will be issued.

An underwriting group headed jointly by Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co. will purchase any unsubscribed shares.

Long Island Lighting Co. is simultaneously offering an additional 64,685 shares of common stock to its employees at the subscription price.

Proceeds from the sale of the common stock will be used to reduce bank loans incurred for construction. For 1954-1955 the company estimates it will expend $77,000,000 for construction. To pay part of this cost the company expects to issue $20,000,000 of first mortgage bonds later in 1954.

The current annual dividend rate of $1 per share was increased to that level in November, 1953. The quarterly dividend of 25 cents per share payable Aug. 1, 1954 to stockholders of record July 2, 1954 wil not be paid on the additional shares currently being offered.

The company provides electric and gas service to most of Long Island with the exception of New York City. About 75% of its total operating revenues are derived from electric service. For the 12 months ended May 31, 1954 total operating revenues were $71,260,000 and net income was $8,361,000.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Calvin A. Hill and Mario Mantini are with Investors Planning Corp. of New England, Inc., 68 Devonshire St.

Joins McClure Staff

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Cowden Evans has become connected with Louis C. McClure & Co., 617 Madison Street.

With A. B. Morrison

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Paul E. Watkins has been added to the staff of A. B. Morrison & Co., du Pont Building. He was formerly with King Merritt & Co., Inc. and A. M. Kidder & Co.

With Sides, Morse Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Lewis W. Maker is connected with Sides, Morse & Co., Inc., 199 Washington Street, members of the Boston Stock Exchange.

Joins McDowell, Dimond

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Conrad N. Normann, formerly with Vickers Brothers, is now associated with McDowell, Dimond & Co. of Providence, R. I.

Joins E. D. Andrews

(Special to THE FINANCIAL CHRONICLE)

IPSWICH, Mass.—Harry Greenberg has joined the staff of Edgar D. Andrews & Co., 2 Central St.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Leslie A. Wells, Jr. has become connected with Reynolds & Co., 425 Montgomery Street.

Our Reporter's Report

The investment banking fraternity, returing from its long holiday, found things little changed this week. True the undertone in the new issue market and likewise in the seasoned bond market was on the side of strength. But buyers did not appear to be rushing things even though a bit more inclined to reach a little for their needs.

But demand for recent new issues, which have been lagging, did not reflect any substantial change in the attitude of potential buyers. However, sponsoring groups were not disposed to be in any hurry to turn such offerings loose from syndicate.

While still difficult to deal with, according to reports, institutional portfolio men are, none-the-less, aware of the prospects for the money market as far ahead as can be seen. And bankers apparently are hopeful that a large order or two will be forthcoming to touch off those offerings still in syndicate hands.

Moreover, many of the issues which were cut loose several weeks ago, after having failed to move out with any celerity at the issue prices, are now comfortably above the lows reached when first put on the free market.

This naturally suggests that larger investment interests have been doing little in the way of second-guessing with regard to such issues. Among these are Pacific Gas & Electric's 3⅛s; Consolidated Natural Gas 3⅛s; Commonwealth Edison's 3s and the 3s put out by New Jersey Bell Telephone.

Several Issues Ahead

While this week, like last week, appears to have been slowed to a walk by the July Fourth holiday, the period ahead promises to bring a bit of business up for competitive bidding.

And what makes it interesting is that the impending prospects are of proportions which probably will make for lively competition. Largest of the offerings in sight is Peoples Gas Light & Coke Co. $39,950,000 of new bonds on which bids will be opened next Wednesday.

Next in line is Northern Natural Gas Co.'s $25,000,000 of bonds due on Tuesday and United Gas Improvement's $10,000,000 bonds up for bids the same day.

Building a Backlog

U. S. Steel Corp. promises to give what is usually the dull summer season a lift, with its projected $300,000,000 offering of debt securities.

The big steelmaker plans to register with SEC as early as possible for the issue which naturally means that it could reach market well before the end of the summer.

Only $225,000,000 will be offered publicly, the balance being reserved for the company's and the Carnegie Pension Fund. Since there is no direct funded debt outstanding for the corporation's account, investors already are showing a high degree of interest in this undertaking.

New Pipe Line Issue

Colorado Interstate Gas Co., will be in the market later this month with new bond and preferred stock offerings, representing its first public financing.

The company recently registered with the Securities and Exchange Commission to cover $30,000,000 of 20-year first mortgage pipe line bonds and 110,000 shares of cumulative preferred $100 par.

Funds will be used to retire $29,000,000 of bank loans raised to finance two years of construction with the balance earmarked for current construction.

After two months of effort the syndicate sponsoring Cleveland Electric Illuminating Co.'s new 3% bonds, brought out at 101.086, decided to let that issue find its own level. Turned loose, the issue settled to around 100⅛ bid-100⅜ asked.

Green & Ladd Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio—Walling Corwin is now associated with Greene & Ladd, Third National Building, members of the New York Stock Exchange.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Events occurred during the month of June which, in the opinion of the more seasoned observers on Capitol Hill, will force an eventual "agonizing reappraisal" of U. S. foreign policy.

U. S. foreign policy is reflected in vast expenditures, still relatively high taxes, and currently also in a policy of monetary inflation. Hence, if there is to be any major shift in U. S. foreign policy, it would have important repercussions upon the nation's economy.

The concensus at the Capitol is that this change in the foreign policy of the United States, if and when it does come, will not come soon enough or be sharp enough to affect materially the economy of the United States for the balance of this calendar year, at least.

So the "agonizing reappraisal" is something for the calendar year 1955.

June's first major event was the collapse of any substantial hopes for bringing France actively into a Western European alliance to build up forces in cooperation with Britain, the U. S., and Germany to stop Russia. It has always been asserted that without active French participation, "collective security" for Western Europe collapses.

While there can always be unexpected things happening, as of now most observers would put it that June saw the end of the dream of collective security in Western Europe.

End Asian Hopes

Likewise June brought the visit of the British Prime Minister and Foreign Minister. Stripped down to essentials, as the situation is seen on the Hill, Britain has clearly indicated that she will engage in no further "collective security" in Asia under presently foreseeable circumstances.

So in the net, June brought proof, adequate for the "prudent man," that the whole fabric of "collective security" is a myth. The level and direction of U. S. military spending, the distribution of the military power throughout the world, and the expensive and complicated program of the Foreign Operations Administration, were all predicated on the supposition that France and Britain felt fear of the common enemy and were prepared to throw their forces into the balance with the United States. Now "collective security" in fact has been reduced to those comparatively few countries like Turkey, who still feel under threat and who hence are willing to participate actively.

Hangs Back

Eventually the Administration itself, even without outside prodding, could be expected to bring about the "agonizing reappraisal." The military people themselves would be pressing for such a new assessment, for their resources are dispersed throughout the world and without active cooperation from France and Britain, those forces are in potential jeopardy.

On the other hand, the President will be disposed initially to be sluggish about working out a revolutionary change in American strategy. In the first place, the President rose from obscurity to the very peak of eminence as the foremost military advocate of collective security. It is difficult for the best of men to acknowledge that what they worked for so fondly during their careers is a thing of sand and fog.

In the second place, there are political considerations which would work almost instinctively to cause a President in Mr. Eisenhower's predicament to hang back. Collective security was adopted by the Democrats. However, Mr. Eisenhower largely adopted the policy of his predecessors, and it thereby becomes the policy of the Republican Administration.

It is naturally difficult for a President in such a position to back off, look askance at the entire thing as a result of the compelling events of June, and say in effect, "we were wrong." Such an acknowledgment would be hard to make personally, and on the eve of the elections would not help his party or his prestige greatly.

Difficult to Implement

Finally, with Congress preparing to wind up its business, it is just about impossible to devise a whole new set of foreign policy premises and new policies base thereon, and get it worked out in time for legislative enactment this year.

It is in this light that the statements of the Majority and Minority Leaders of the Senate have significance. Senator William F. Knowland (R., Cal.) served notice that if Red China were made a member of the United Nations, he would resign his position of Republican leadership in order to fight the UN concept.

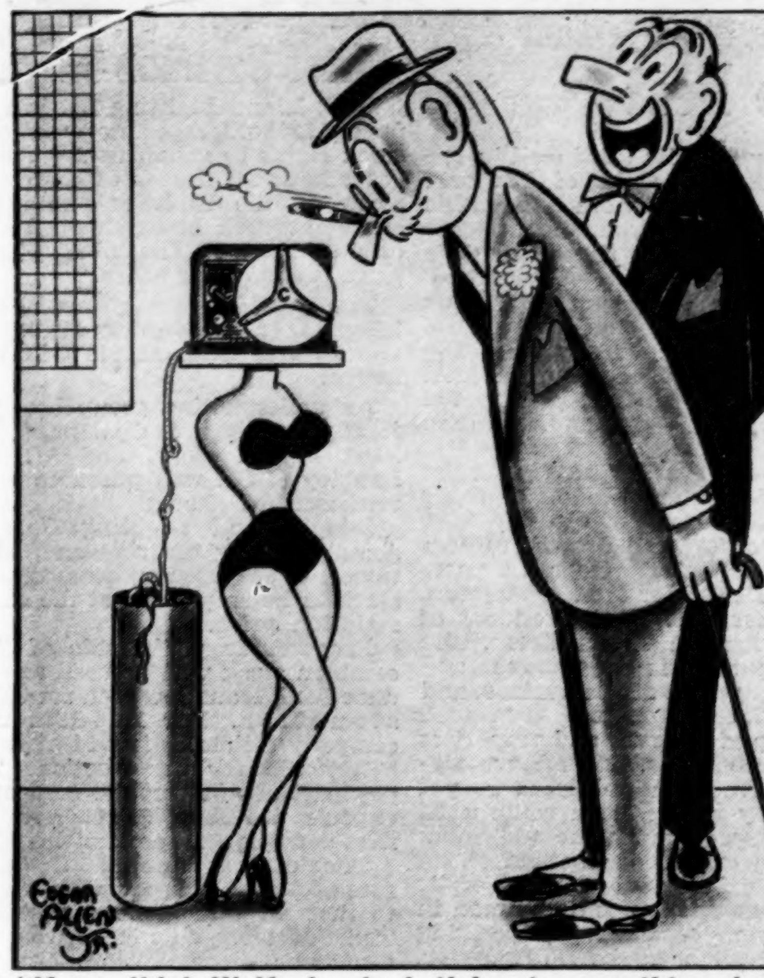
Senator Lyndon Johnson (D., Tex.) went much farther. "I think the time has come when we have to stop and take a long, hard look at our foreign policy. I think we have to weigh in the balance the assumptions upon which we have been operating for the past few years," the Democratic Senate leader said in part.

The American people, he said, "want to know the extent to which this aid will actually back the legitimate objectives of the United States and the extent to which it will maintain policies which no longer have vitality."

So the job which Senators Knowland and Johnson are doing is the prodding job. They recognize the force of inertia to accept the present status, which is operating upon the White House. The President's remarks in sending up a request for an additional $3.5 billion for foreign aid, reflect, in the opinion of the skeptics of "collective security," the large faith which the President still has in that concept, as do his remarks since the failure of the Churchill - Eisenhower conference to arrive at joint Anglo-American policy.

In both cases, the two Senate leaders are acting as individuals. They are not acting on behalf of their official party organizations, reflecting sentiment arrived at during secret party caucuses. Senator Johnson in particular is often inclined to act as an individual, and his statement is regarded as noteworthy in view of the fact that "collective security" was notoriously a Democratic party baby.

BUSINESS BUZZ



"If you think Wolfey's stock ticker is something, just wait 'til you see his water cooler!"

Makes Water Loans

One of the interesting things about this great government is that it is doing so many, many things, that the average person doesn't discover that it has been doing something for many years.

There is now about to pass a nice, broad expansion of a 16-year old activity, and the request of the Eisenhower Administration for this extension of power brought to light this comparatively obscure program.

In 1938 the government started making loans to farmers in 17 western states for construction, improvement, or expansion of water facilities, including wells, irrigation systems, lines from the well to the barn, pumps, ponds, etc.

Individual farmers may borrow up to $5,000 apiece for water facilities, on terms not exceeding 20 years of repayment, and for the cost of only 3% interest. Associations of water users (primarily in irrigation areas) may borrow up to $100,000 per loan for terms of 40 years, also at 3% interest.

The loan cannot exceed 100% of the value of the water facilities financed, and is approved only if satisfactory credit on suitable terms is not available from private sources of credit or the government's Farm Credit Administration. It is difficult to imagine any private source of credit being able to extend such liberal terms, and therefore offering a "satisfactory" source of credit to a borrower.

However, the Farmers Home Administration of the Department of Agriculture does not insist that to be "satisfactory," a private source of credit should be so liberal. If the farmer can finance it privately and isn't nicked to badly on interest, they will insist he borrow it elsewhere than from the government.

Would Liberalize Program

It is proposed by the Eisenhower Administration that this program be considerably liberalized. For one thing, the Administration wants such loans to be made to farmers throughout the country, not merely in 17 western states. Second, the Administration would raise the loan limit per individual from $5,000 to $25,000, and the loan limit per "water association" from $100,000 to $250,000.

Legislation incorporating the recommendations of the Eisenhower Administration has been reported out favorably by committees of both Houses, and the Senate already has passed its bill. The House is likely to do so also any day.

In the Senate bill there is an added feature, NOT recommended by the Eisenhower Administration. It would provide for government insurance of private water facility loans to the total of $25 million of such loans per year.

Already $34.2 million of such loans have under the present more restricted program, been approved. Business is picking up, however, for $6.5 million of the $34.2 million of approvals during the past 16 years have been in fiscal 1954 alone.

Criticizes Pension Objective

A spokesman for the life insurance industry, Asa V. Call, President of the Pacific Mutual Life Insurance Co., in testimony before the Senate Finance committee in the Social Security Program of the Eisenhower Administration, attacked a fundamental basis of this legislation.

By raising the wage base to $4,200, the Administration, he asserted, was going above the "floor of protection" idea for the American wage earner, and was moving inevitably in the direction of a system of National Pensions.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capitol and may or may not coincide with the "Chronicle's" own views.]

Business Man's Bookshelf

British Exports and Exchange Restrictions Abroad—Swiss Bank Corporation, 99 Gresham Street, London, E. C. 2, England. (New York agency, 15 Nassau Street, New York City.) (paper).

Free Trade: America's Opportunity — Leland B. Yeager — Robert Schalkenbach Foundation, 50 East 69th Street, New York 21, N. Y. (paper).

Local Service Air Transportation and Metropolitan Helicopter Services—A study from the Investment Banking viewpoint—Investment Bankers Association of America, 33 South Clark Street, Chicago, Ill. (paper).

New York Bankers Association Services and Activities—Reference guide containing time, place and other information on each of the Association's major programs 1954-55 — New York State Bankers Association, 33 Liberty Street, New York 5, N. Y.

Stock Buying Guide—Sam Shulsky—Fawcett Books, Dept. 231, Greenwich, Conn. (paper) 75 cents (hard cover, $2.00).

What Do You Know About Trucks? — Automobile Manufacturers Association—New Center Building, Detroit, Mich. (paper), copies on request.